

Mayor Of Nablus Is Killed

Gunman Shoots Israeli Appointee On West Bank

By William Claiborne
Washington Post Service

NABLUS, Israeli-occupied West Bank — Zafir al-Masri, the Israeli-appointed mayor of Nablus, was assassinated by a gunman Sunday in front of his office.

Mr. Masri, 43, was shot three times in the back as he walked across Nablus's busy main street from his home to the municipal building. He died shortly after he was taken to a nearby hospital, and Israeli troops immediately clamped a curfew on the city while they searched for his assailant.

Two Palestinian factions asserted that they had ordered Mr. Masri's assassination.

The Popular Front for the Liberation of Palestine, led by Georges Habbash, said in Damascus that its Che Guevara group was responsible.

In Beirut, a caller to Agence France-Presse who identified himself as a member of the Fatah Revolutionary Council, headed by Yasser Arafat, said his organization had killed Mr. Masri as a warning to Yasser Arafat, the Palestine Liberation Organization chairman, King Hussein of Jordan and the Mossad, Israel's intelligence service.

Mr. Masri was a symbol of efforts to revive Middle East peace talks by enhancing self-rule among moderate Palestinians in the occupied West Bank. He identified closely with Jordan but supported Mr. Arafat's Fatah organization, the PLO's mainstream.

His death dealt a severe setback to plans by Prime Minister Shimon Peres to unilaterally implement a measure of political autonomy to the 1.3 million Palestinians in the occupied West Bank and Gaza Strip by allowing them a more active role in administering their own affairs.

The assassination threw into question the possibility of a



Protection From Mourners in South Africa

The Reverend Allan Boesak, right, protecting a suspected police informer, Madiavu Mathuka, from a crowd at the funeral of

three black South Africans. Mr. Mathuka was attacked after he was denounced by another minister during the service. Page 6.

Brazil Gets Reduction in Debt Payments

Compiled by Our Staff From Dispatches

NEW YORK — Brazil and its leading creditor banks agreed on a loan-rescheduling package that includes a substantial reduction in interest rates on part of its \$103-billion debt, Citibank said Sunday.

The accord, reached late Saturday, followed by one day the announcement of strong government measures to curb Brazil's 400-percent annual inflation rate. It also came amid growing calls for a reduction in the interest load carried by Latin American nations on their combined debt of \$370 billion.

On Saturday, the Cartagena group of 11 debtor countries agreed to back any member seeking a reduction in interest payments to creditors. (Story, Page 11.)

The Brazil agreement, reached after a month of negotiations, calls for the interest rate on \$16.5 billion of debt that fell due in 1985, or falling due in 1986, to be lowered to 14 percent from the current 18 percent. The rate cut will save Brazil about \$150 million a year.

Brazil's 700 creditor banks worldwide also are being asked to keep in place around \$15.5 billion in trade and interbank credit lines for one year.

William Rhodes, a senior Citibank executive who chairs Brazil's 14-member bank advisory committee, said the interest-rate reduction reflects "significant progress by Brazil over the past few years on its external financial accounts."

Brazil, the developing world's largest debtor, recorded trade surpluses of \$13.1 billion in 1984 and \$12.45 billion in 1985. It also has built up its foreign reserves to about \$9 billion after ending 1983 in the red.

From 1980 to 1985, imports declined almost 50 percent while exports expanded 25 percent. Initially there was a severe drop in gross national product, the total output of goods and services, but by 1984 there was a solid 4.5-percent growth.

Under the accord, the repayment of \$6 billion of debt that matured in 1985 will be stretched out over seven years, with payments beginning in 1991 and running through March 15, 1993.

Another \$9.5 billion due this year will be rolled over until 1991 and the banks work out a longer-term restructuring package.

A multiyear rescheduling package has been delayed by the refusal of Brazil's president, Jose Sarney, to agree to an austerity program devised by the International Monetary Fund.

But, in a move that came as a pleasant surprise to many bankers, Mr. Sarney unveiled on Friday a package of tough measures aimed at curbing inflation. (Continued on Page 5, Col. 6.)

Police Believe Assassin Tracked Palme Before Attack in Stockholm

By Karen DeYoung

Washington Post Service

STOCKHOLM — Police said Sunday that Prime Minister Olof Palme was assassinated Friday night in a carefully planned attack, perhaps carried out by a professional gunman using a high-powered revolver firing a copper-sheathed bullet of a kind police here said they had never seen before.

The authorities said that they have made no arrests and have no suspects or indications of a possible motive.

Senior police officials rejected speculation that the killing could have been connected to anyone known personally by Mr. Palme or his wife, Lisbeth, who was grazed by one of two bullets fired in the assault as they walked home unescorted after attending a film.

"There is no known connection between the murderer and the victim," said Hans Holmer, the Stockholm police chief.

Despite claims of responsibility by unidentified telephone callers on behalf of several terrorist groups, a senior police official said Saturday: "There is nothing to indicate that there were political motives or that any political organization was behind this act."

One of the calls alleged responsibility for the killing to a Croatian separatist group that in 1971 assassinated the Yugoslav ambassador to Sweden. Last year, the Swedish government denied a request for release of a convicted member of the assassination team sentenced to life imprisonment.

Another caller alleged responsibility for the killing to the Red Army Faction, a West German terrorist organization affiliated with the Baader-Meinhof terrorist group that in 1975 attacked the West German Embassy here. Three persons were killed in that incident.

Although a police official said "we take everything seriously," he indicated that neither claim was believed at this point in the investigation.



Olof Palme

ON PAGE 5

■ A Swedish official said he is concerned about the potential for a backlash against immigrants.

■ World leaders express their sorrow over the death of a leader in the cause of peace.

■ Born to wealth, Olof Palme chose to spend his career serving the disadvantaged.

Almost 1,000 people have volunteered information or been questioned. The latter category includes members of exile and refugee groups that have come to police attention in the past or whose countrymen have been involved in previous acts of political violence here. Among them are Kurdish exiles, Croatian separatists and West German radicals.

But Mr. Holmer said that police had no "hot" information pointing to these groups and still did not

know if the killer was "Swedish or foreign." He described the broad investigation thus far as "the typical situation in the moment when you start a big murder case. You have to be both patient and impatient."

Police have theorized that the killer, described by several witnesses as dark-haired and wearing a three-quarter-length dark coat, followed the Palmes Friday night when they left their home at 8:40 and traveled by subway to the movie theater. Mr. Palme had dismissed his bodyguards for the day earlier.

Mr. Holmer said it appeared that the murderer "waited, either inside or outside the cinema."

The murderer, he said, then followed them on foot about two blocks along a busy boulevard to a point at which a pedestrian walkway intersected the street between two buildings. It was there that the killing took place.

Neither the killer nor either of the Palmes spoke before the shots were fired from a short distance, police said. The assailant fled up the walkway, which ends in several flights of stairs leading to a number of small streets.

At least one man, apparently a passerby, ran after the killer, but lost him at the top of the stairs. At that point, a strolling couple also saw him briefly.

A Foreign Ministry spokesman referred Sunday to Mr. Palme's desire for privacy and his decision to dismiss his bodyguards for the rest of the day.

"It is a fact that he on many occasions insisted on not having security guards," the spokesman said. "It seems to have been fearful to him, but that is a fact we have to accept."

The most important clue thus far appears to be the design of two bullets recovered. In the police reference collection of about 600 models of bullets, Mr. Holmer said, police experts found one

(Continued on Page 5, Col. 1)

U.S. Senators Seek Inquiry On Defector

By Joel Brinkley and Clyde H. Farnsworth
New York Times Service

WASHINGTON — Four months after Soviet seaman jumped into the Mississippi River and said he wanted to defect, only to be sent home after apparently changing his mind, 60 senators want to reopen the case amid allegations that Soviet officials switched seamen.

Members of Congress and others are saying that the man who jumped overboard near New York, Oct. 24 may not have been the man who later told U.S. officials he wanted to return to the Soviet Union.

State Department officials say they are certain there was no switch.

Boris Malakhov, a spokesman for the Soviet Embassy in Washington, said, "It's crazy to think it was not Miroslav Medved who was interviewed."

But several pieces of evidence support the possibility of a switch, at least raising questions about the case of Mr. Medved, a 25-year-old from the western Ukraine near Poland whose attempted defection touched off a weekend crisis in U.S.-Soviet relations two weeks before the Geneva summit meeting.

Caught in the cross fire is Lieutenant James R. Getz, whose reputation photographs of the inter-rogations are cited as evidence by those who believe he was not Miroslav Medved. As a result of the incident, Lieutenant Getz was reprimanded and is leaving the U.S. Navy.

In addition, an official form completed by Border Patrol offi-



Miroslav Medved in a photograph released by the U.S. Immigration Service.

cers said the man who jumped from the freighter Marshal Konyev and then was hauled kicking and screaming back to the ship was 5 feet 10 inches (1.79 meters) tall and weighed 174 pounds (79 kilograms). But a navy doctor who examined a seaman on board the ship less than 24 hours later described the man in his report as "short stature, approximately 150" pounds.

The man who jumped ship spoke fluent Ukrainian in his first evening ashore, according to the first interpreter who spoke with him. The man interviewed later spoke the language with difficulty, the State Department said afterward.

Two independent handwriting analysts concluded that handwriting samples taken on different days probably were written by different people.

Mr. Medved appeared terrified as he pleaded for political asylum after jumping ship, saying, "I want to live in a decent country."

But the man who spoke to State Department officials on Oct. 28 and 29 was described as alternately

Aquino Is Breaking Up Marcos Political Machine

Compiled by Our Staff From Dispatches

MANILA — President Corason C. Aquino, buoyed by another big show of public support, started Sunday to dismantle some of the Marcos government's machinery of political control.

A crowd estimated at more than half a million gathered in Manila's main park to hear Mrs. Aquino issue what she said was her first proclamation: the restoration of the writ of habeas corpus.

Suspension of the writ of habeas corpus, under which an accused person must be brought before a court to determine the legality of the charges against him, was one of many weapons that President Ferdinand E. Marcos used to stifle dissent by alleged subversives and political opponents.

Mrs. Aquino read a proclamation ending some powers that Mr. Marcos had retained when he lifted martial law in 1981.

She told the cheering, chanting crowd that the measures decreed during Mr. Marcos' 20-year rule were "not warranted" to protect public safety, and said her administration would bring to justice officials who committed crimes.

Mrs. Aquino said that anti-subversion and subversion decrees "drove many to the hills and fanned the conspiracy to overthrow the government" instead of helping to suppress a Communist insurrection and other threats to national security.

"I have said that I will be magnanimous in victory," she said. "Magnanimity does not mean an absence of justice. We are gathering evidence and will set up the government structure that will try those who have committed grave crimes against the people, like human rights abuses and stealing."

"The situation, while stable, is not totally under control yet," she added. "There are still holdout pockets of military and civilian loyalists."

Among those on the stand at Mrs. Aquino's rally were Vice President Salvador H. Laurel, Cardinal Jaime L. Sin, the archbishop of Manila, and the new armed forces chief, General Fidel V. Ramos, who led the army rebellion eight days ago that swept Mr. Marcos, 68, from power.

A notable absentee from the grandstand was Defense Minister Juan Ponce Enrile, who joined General Ramos in leading the military rebellion against Mr. Marcos. Cardinal Sin called for vigilance against "those who want to slide back to the old and corrupt ways, those who want to force upon us

the very things we have together rejected — violence and civil war and yet another kind of dictatorship."

"The danger is not past," he said. "We must continue to work and pray, to be watchful unless the miracle is all in vain."

Meanwhile, Jose Maria Sison, jailed by Mr. Marcos as an alleged Communist leader, said at the jail where he has been held for nine years that the Communists would not lay down their arms until land redistribution had been carried out.

But Mr. Sison, whose release Mrs. Aquino reportedly is considering, said that her popular support was an "immediate problem" for the left in maintaining the rebel war it has fought for the past 15 years.

Asked if Communist guerrillas would renounce violence, he said, "Armed struggle is the democratic right of the people."

Mrs. Aquino said that all but four of 484 political prisoners incarcerated under Mr. Marcos "have been released or are in the process of being released."

The exceptions, her aides said, were Mr. Sison and three other suspects.

(Continued on Page 4, Col. 5)



King Carl XVI Gustaf, right, met Sunday with the acting prime minister, Ingvar Carlsson.

The U.S. on Marcos: A Lesson for Despots?

By Leslie H. Gelb

New York Times Service

WASHINGTON — President Ronald Reagan's decision that the time had come for President Ferdinand E. Marcos of the Philippines to resign sent shock waves around the world last week.

Taken with the administration's helping in the departure of President Jean-Claude Duvalier from Haiti on Feb. 7, the decision sent a powerful message to friendly despots: Anti-Communist and old ally or not, an authoritarian regime that loses control of its people cannot count on continued U.S. support.

Hours before Mr. Marcos bent to pressures in Manila and Washington to end his 20 years in power, South Korea was feeling the effects. In a surprising shift, President Chun Doo Hwan condemned his own police for harassing opposition politicians.

Seemingly to edge open the long closed door to dialogue, Mr. Chun met with opposition and other political leaders. He was said to have mentioned that the Philippine events reflected abuses stemming from prolonged one-man rule.

State Department officials also called attention to Chile, where, they said, the U.S. ambassador, Harry Barnes, recently has shown displeasure with the 12-year military dictatorship of General Augusto Pinochet. The American Embassy, they said, is sending representatives to meet openly with opposition leaders.

This has rarely happened in countries governed by one man or a junta — not previously in Chile, not in Iran at the time of Shah Mohammed Reza Pahlavi or, until recently, the Philippines.

Such actions seemed striking in an administration that had attacked President Jimmy Carter for being preoccupied with human rights and

administration essentially was reacting to events there — albeit always in the direction of trying to push Mr. Marcos into planning a peaceful transition to someone else.

After the Feb. 7 Philippine election, it seemed clear that the someone had to be Corason C. Aquino, the opposition candidate. Nonetheless, the administration seemed two weeks ago to be attempting to prevent events from moving too quickly.

But when the end came swiftly, beginning on Feb. 22, Mr. Reagan moved with events. First came the defections of Defense Minister Juan Ponce Enrile and Lieutenant General Fidel V. Ramos, the armed forces deputy chief of staff. That split the military.

Washington, in effect, endorsed the tough statement by the two men condemning Mr. Marcos for election cheating. Then, as Mr. Marcos seemed about to send loyal troops against the defectors, Washington threatened to cut off military aid.

Administration officials understood that once Mr. Marcos used American arms to put down the opposition, U.S. interests would be seriously jeopardized. With throngs of Filipinos pouring into the streets to protect the defectors, the White House issued a curt statement on Feb. 24: "Attempts to prolong the present regime by violence are futile."

The White House knew the page had turned. (Continued on Page 4, Col. 7)

Palme Aide Nominated As Successor

The Associated Press

STOCKHOLM — Ingvar Carlsson, Sweden's deputy prime minister, was nominated unanimously Saturday by the Social Democratic Party to succeed Olof Palme as party chairman and prime minister.

With the nomination, Mr. Carlsson, a longtime associate of Mr. Palme, was virtually assured of the prime ministership.

First, however, the speaker of the Riksdag, or parliament, must nominate Mr. Carlsson after consultations with opposition parties. Then the unicameral parliament must approve the nomination.

■ Intellectual Organizer
George James of The New York Times reported from New York:

Mr. Carlsson, 51, is described by colleagues as an intellectual, an organizer and a debater with a sense of humor and low-key manner that make him easy to approach.

Mr. Carlsson, who was born into a working-class family, has been an active member of his party for 28 years and is one of its key theoreticians.

Unlike Mr. Palme, whose forceful personality often gave him the image of being strongly leftist, Mr. Carlsson is seen by colleagues as a middle-of-the-road Social Democrat.

He is not nearly so well known outside Sweden as Mr. Palme was, having concentrated most of his efforts on domestic issues.

Mr. Palme gave Mr. Carlsson the job of organizing and heading a new agency, the Ministry of the Future, and for the last three years he has been studying economic and industrial developments in other countries to determine how the government can guide Sweden in the years ahead.

Since October, he has also headed the Ministry of the Environment, which centralized responsibilities that had been scattered among other agencies.

Born Nov. 9, 1934, Ingvar Carlsson grew up in the textile manufacturing town of Boras in western Sweden, where his father worked in a textile mill. He worked briefly in the mills and then went to the University of Lund, where he received his degree in political science and economics.

In 1958, after graduation, he was chosen to be the cabinet assistant of Tage Erlander, Mr. Palme's predecessor as prime minister.

Mr. Carlsson later took a year's sabbatical at Northwestern University. (Continued on Page 5, Col. 1)

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SPORTS

■ Seven baseball players, accused of drug use, face the sternest major league discipline since the 1919 Black Sox scandal. Page 15.

AMERICAN TOPICS

Exotic New Crops

Brighten Farm Scene

Joboba, a desert shrub unknown to commercial agriculture 20 years ago, is being planted across arid stretches of southern California and Arizona. Since 1979 about 45,000 acres (18,276 hectares) have been planted to the hardy bush, which produces an oil so versatile that it is being used in cosmetics and tested as an industrial lubricant.

"This thing is really rolling now," said John S. Turner, editor and publisher of Joboba Happenings, a trade newspaper. "Give it five or six years and we'll have America's next billion-dollar crop."

The joboba is a leading example of a trend in American agriculture toward new, exotic cash crops. The New York Times reports. And although the Reagan administration wants to cut the Agriculture Department budget, it plans to spend more on agricultural research.

Farmers have not waited for federal help. Florida growers are producing pomelo, an Asian ancestor of the grapefruit. Texans are planting chayote, a Mexican squash. Researchers also are testing plants that may provide a substitute for rubber.

New or exotic crops are in the American tradition. Wheat was first domesticated in the Middle East, citrus fruits in Asia. The soybean, from China, is a relative latecomer to the United States. It arrived in the 1920s and 1930s but is now the second-largest American cash crop, worth about \$13 billion a year.

Short Takes

As of this month U.S. military personnel convicted of espionage during peacetime can be sentenced to death, under a directive authorized by Congress last summer and signed last month by President Ronald Reagan. The measure grew out of the recent spy scandal in which three members of the same family—John A. Walker Jr., his brother, Arthur J. Walker, and John's son, Michael—were convicted or pleaded guilty of spying for the Soviet Union.

A major problem in transferring theatrical films to video cassettes is that theater screens are proportionally wider than television screens, so in the transfer, the image must be trimmed on the sides. In Europe, the wide picture often is retained. The elongated rectangle occupies the center of the television screen, leaving blank areas top and bottom. Why is it done differently than in the United States? "European viewers feel cheated by visual tampering," one cassette editor said. "American viewers feel cheated if the picture doesn't fill up the whole screen."

The Texas Sesquicentennial celebration will have to do with-

out the Texas flag captured when the Alamo fortress was taken by the Mexicans 150 years ago March 6, according to U.S. diplomats and businessmen trying to get it back, at least on loan. The flag belongs to the Mexican National Museum of History where officials have said repeatedly, it is undergoing restoration and should not be put on loan or photographed.

Notes About People

The job of U.S. attorney general often has been a stepping stone to the Supreme Court, but the incumbent, Edwin Meese III, a close associate of President Ronald Reagan, said last week, "I have never had any intention or interest in being a judge." Asked if he would accept a Supreme Court appointment if it were offered, he said, "Absolutely not."

Senator Joseph R. Biden Jr., frequently mentioned as a possible candidate for president in 1988, was asked during a visit to an elementary school 10 years



Joseph R. Biden Jr.

ago if he wanted to be president, according to a profile in the National Journal. The senator, a Delaware Democrat, gave the standard politician's answer: No, he liked his job and didn't want to be president. From the back of the room a snipe spoke up: "You know that's not true, Joe Biden." From the folds of her habit she produced a composition the senator had written in the sixth grade telling how he wanted to be president some day.

Senator Charles McC. Mathias Jr. has been awarded the first Milton S. Eisenhower Distinguished Professorship in Public Policy at the Johns Hopkins School for Advanced International Studies. Mr. Mathias, 63, a Maryland Republican, plans to end 26 years in Congress, 18 of them in the Senate, next January. He will lecture four weeks a year. The professorship is named after a former president of the university, who died last year. He was a brother of President Dwight D. Eisenhower.

—Compiled by
ARTHUR HIGBEE

NASA Image Crumbles as Commission Probes Shuttle Tragedy

By Kathy Sawyer
Washington Post Service

WASHINGTON — Once or twice in hearings by the presidential commission investigating the explosion of the space shuttle Challenger, testimony from NASA witnesses moved Sally K. Ride and Neil Armstrong to lean back in their chairs on either side of the panel chairman, William P. Rogers, and look across at each other with their eyebrows raised.

The first human being to step on the moon and the first American woman in space, like the American public, had held certain favorable assumptions about the methods behind two decades of space miracles.

But by the end of three days of hearings last week, those assumptions appeared to have crumbled, and NASA employees were braced for what one called "a major reorganization" under a new leader.

Sources said a former agency head, James C. Fletcher, was the front-runner for the post of administrator and was interviewed last



William P. Rogers

week by the White House chief of staff, Donald T. Regan.

Longtime supporters of the National Aeronautics and Space Administration, on Capitol Hill and elsewhere, expressed shock and incredulity as the three days of hearings exposed, layer by layer, what Mr. Rogers called the "flawed"

process that led up to the final, fatal launch decision on the morning of Jan. 28.

The Watergate-like televised spectacle produced by the commission featured an increasingly indignant Mr. Rogers, a former assistant district attorney and attorney general as well as a former secretary of state, who emerged with unexpected force, repeatedly asking officials where they had left their "common sense."

The hearings were a study in contrasts between image and reality. Instead of the crisp "Go" or "No-Go," safety-first image NASA has long sustained, the hearings revealed decision-makers who spoke in muddy "rationales" that, as they traveled up or down the chain of command, were transformed as if in an old-fashioned parlor game of "gossip."

Thus, a statement the morning of the launch by Rocco A. Petrone, president of the shuttle division of Rockwell International Corp. and a top NASA manager during the

Apollo moon shot days, that "we cannot recommend launching," passed through subordinates and came out, "Rockwell could not assure the safety of flight."

NASA officials said they took this to be "a concern," not a recommendation against launch.

Such discussions led repeatedly to mistaken or, some suggested, expedient misinterpretation on possible life-and-death matters.

"This illustrates one of the things that obviously has to be corrected," Mr. Rogers said. "There are a lot of maybes. A lot of people have been voting 'Maybe' or 'I don't vote.' It would seem to me this decision-making process should require people to take stands and you should have a record on it."

Although NASA has prided itself on an open style of management, the commission repeatedly caught NASA officials, as well as top managers at Morton Thiokol Inc., one of its contractors, in a syndrome that became familiar to Americans through the Pentagon

Papers revelations about the military bureaucracy during the Vietnam War: Mid-level personnel did not tell higher-ups bad news.

The NASA "can-do" tradition of unflappability was personified in the solid-rocket booster project manager, Lawrence B. Mulloy, and a rocket engineer, George B. Hardy, mid-level managers at Marshall Space Flight Center in Huntsville, Alabama. Questioned for several hours on Wednesday morning, they appeared cool and confident.

They have steadfastly denied that they pressured the solid-rocket booster contractor, Morton Thiokol, to change its initial recommendation against a launch that day, and that they had reversed NASA's traditional approach that demands proof that it is safe to fly, rather than proof that it is not.

In contrast, Thiokol managers seemed shaken during their appearances. Robert Lund, the chief engineer for the company, was the target of some of Mr. Rogers's most withering remarks.

Mr. Lund first supported his engineers when they recommended against launch on the night before liftoff. But he folded under what he considered pressure from Mr. Mulloy, and finally from his own boss, a Thiokol vice president, Joe C. Kilminster, who asked him to "take off your engineering hat and put on your management hat."

In the end, he switched sides, joining Mr. Kilminster in overruling his own engineers and recommending a "Go."

Ms. Ride zeroed in on NASA officials' apparent departure from "the book," asking repeatedly how officials could debate the engineers' warnings about the effects of cold weather on the seals when NASA's rules, she thought, clearly labeled the rocket booster seal a "criticality 1." That means there is no backup system and if the item fails, the crew, vehicle and mission are lost.

Pentagon Practices Are Assailed In a Report Prepared for Reagan

By James Gerstenzang
Los Angeles Times Service

WASHINGTON — A presidential commission has presented a sharply critical report on the state of the defense establishment and recommended streamlined operations, less regulation, and "major institutional change" in the Pentagon's purchasing procedures.

President Ronald Reagan, receiving the interim report of his Commission on Defense Management, promised Friday to implement the recommendations as quickly as possible, "even if they run counter to the will of the entrenched bureaucracies and special interests."

[The report comes as Mr. Reagan and Congress are tangled in a legislative battle over the president's \$311.6-billion defense budget for fiscal 1987, which is jeopardized by the Gramm-Rudman-Hollings deficit-reduction law. A White House official said Friday that the defense budget was in "deep trouble," despite Mr. Reagan's nationally televised plea for support last week. The Washington Post reported.]

The panel, headed by David Packard, a former deputy secretary of defense, was appointed by Mr. Reagan last June after unfavorable publicity over such Pentagon procurement "horror stories" as a \$7,622 coffee pot and a \$640 toilet-seat cover for military aircraft.

The commission, however, expanded its investigation well beyond problems in the acquisition system.

It recommended giving the chairman of the Joint Chiefs of Staff greater authority, creating a post of vice chairman of the Joint Chiefs, creating a post of undersecretary of defense for acquisition, drawing up two-year rather than one-year defense budgets, improving the precision of long-range planning and aggressively enforcing civil and criminal laws prohibiting fraud in defense procurement.

The report offered an outline of the ills that plagued the military. However, Mr. Packard, in a letter to Mr. Reagan, praised "the substantial progress made in the last five years to improve the nation's defense."

"The morale and fighting ability of our armed forces are higher than at any time in recent memory," he wrote. He singled out for praise the

efforts of Caspar W. Weinberger, defense secretary since Mr. Reagan took office in 1981.

The report called for improved decision-making in the administration and Congress, better organization of combat forces, strengthened and streamlined procurement procedures and "a more honest, productive partnership" between the Pentagon and the defense industry.

The report echoed some of the findings of previous studies, many of which have been either ignored or actively opposed by the Pentagon or some members of Congress. But a department spokesman said that Mr. Weinberger had "no quarrel" with the report, although he did not support every "jot and tittle."

Sam Nunn of Georgia, the top-ranking Democrat on the Senate Armed Services Committee, described the report as "a bold and sweeping and innovative series of proposals that will enhance very substantially our national security, if they are implemented."

"The Packard commission perhaps started out talking about toilet seats, but they ended up proposing to restructure the whole house," Mr. Nunn said. "I think it is a very strong step in the right direction."

At a news conference, Mr. Packard, a founder and chairman of Hewlett-Packard Co., an electronics concern, said:

"In the horror stories about spare-parts costs and contractor cheating, you are talking about tens of millions of dollars. But better long-term planning and acquisition is a thousand times more important and could save tens of billions of dollars."

The report complained that Congress and the executive branch lacked a "rational system" for

reaching agreement on military strategy and budget policy. It criticized the "duplicative effort by numerous congressional committees and subcommittees."

The commission recommended that the president prepare provisional five-year budgets tied more closely than current five-year defense plans to economic realities. It said Congress should appropriate Pentagon funds on a two-year basis, rather than annually, to allow more efficient long-range planning.

At present, the chairman of the Joint Chiefs of Staff must offer the consensus view of the heads of all the military services when he advises the president. The commission would make the chairman the principal military adviser, who could present his own views to the president, regardless of those of the other service chiefs.

Arguing for the creation of an undersecretary of defense for acquisition, the report noted that there was no single senior official at the Pentagon "working full-time to provide overall supervision" of military procurement.

Weapons requirements and specifications have been overstated, leading to "goldplating" that "has become deeply embedded in our system," the report said.

"With notable exceptions, weapons systems take too long and cost too much to produce," the report said. "Too often, they do not perform as promised or expected."

U.S. Orders Extradition Of Mexico City Official

Los Angeles Times Service

LOS ANGELES — The former Mexico City police chief, Arturo Durazo Moreno, lost an appeal Friday and was ordered extradited to Mexico to stand trial on charges involving extortion and illegal weapons.

The ruling, in U.S. District Court, upheld an order by a U.S. magistrate last August.

PUBLICATION JUDICIAIRE
CONTREFAÇONS DES MARQUES
"CHANEL" et "3E"
SUR DES VÊTEMENTS ET SUBSTITUTION
FRAUDULEUSE DE PRODUITS

Par un jugement du Tribunal de Grande Instance de MARSEILLE en date du 27 novembre 1985 :

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— Dit que l'usage, par la Société LYDIA MARTIN d'accessoires vestimentaires, notamment de boutons, comportant deux C majuscules entrecroisées en sens contraire, leur ouverture étant orientée vers l'extérieur, constitue la contrefaçon de la marque figurative N° 938 201 dont la Société CHANEL est propriétaire, au sens de l'article 422-1 du Code Pénal.

— Dit que la vente, par la Société LYDIA MARTIN d'un article qui n'est pas de provenance CHANEL mais qui se trouve identifié par la marque "CHANEL" constitue le délit de substitution frauduleuse de produit au sens de l'article 422-4 du Code Pénal.

— Interdit à la Société LYDIA MARTIN de faire usage, à quelque titre que ce soit et sous quelque forme que ce soit, de la dénomination "CHANEL" et/ou du motif figuratif constitué de deux C majuscules entrecroisées en sens contraire, dont l'ouverture est orientée vers l'extérieur, sous astreinte définitive de trois mille francs (3 000 F) par infraction constatée, à compter de la signification du présent jugement.

— Condamne la Société LYDIA MARTIN à payer à la Société CHANEL la somme de cent mille francs (100 000 F) en réparation de l'atteinte portée à la marque dénomination "CHANEL".

— La condamne à payer à la Société CHANEL la somme de cent mille francs (100 000 F) en réparation de l'atteinte portée à la marque figurative N° 938 201.

— Condamne la Société LYDIA MARTIN à payer à la Société CHANEL la somme de deux cent mille francs (200 000 F) en réparation de son manque à gagner sur les ventes perdues.

— Ordonne la publication du dispositif du présent jugement dans cinq quotidiens ou hebdomadaires d'importance nationale, le coût de chaque publication supporté par la Société LYDIA MARTIN étant fixé à douze mille francs (12 000 F).

— Condamne la Société LYDIA MARTIN à payer à la Société CHANEL la somme de dix mille francs (10 000 F) par le fondement de l'article 700 du Nouveau Code de Procédure Civile.

— Ordonne l'exécution provisoire du présent jugement, en toutes ses dispositions.

— Condamne la Société LYDIA MARTIN en tous les dépens.

Russians May Have Switched Seaman Who Wanted to Flee

(Continued from Page 1)

flippant, belligerent and arrogant, and he repeatedly remarked that the Soviet system was superior.

Finally, there are Lieutenant Geltz's pictures, taken Oct. 29, the only known photographs of the man interviewed by the State Department. When the lieutenant showed his pictures to a man who had seen the seaman the day the incident began, both became convinced that the Russians had pulled a switch.

The Federal Bureau of Investigation compared the photos with one taken of the seaman who jumped ship, a Senate aide said, and found

that no firm conclusions could be drawn.

Still, nagging questions have led more than half the Senate to co-sponsor a resolution calling for a new inquiry. If the resolution is approved, the Senate would set up an investigative panel.

A key part of the controversy is Lieutenant Geltz. He was the public affairs officer at the Naval Support Facility in Algiers, Louisiana, where the seaman who was removed from the freighter on Oct. 28 underwent interviews and examinations by U.S. officials.

In the days that followed, Lieutenant Geltz, a 10-year navy officer with an unblemished record, found the government was angry that he had taken the photographs. Asked by a commanding officer to relinquish his pictures, he refused, saying he wanted to be sure they were safeguarded. He was arrested briefly and placed under armed guard.

Lieutenant Geltz was transferred and now is based at the Naval Surface Reserve Force in New Orleans awaiting his discharge on June 1.

Last spring he submitted a letter of resignation effective this June, but in September, before the defection incident, he changed his mind and asked to withdraw the letter. After the Medved affair the navy refused to allow him to withdraw his resignation.

A punitive letter of reprimand for his failure to obey an order was placed in his record, and that barred him from entering the Naval Reserves, as he had hoped to do so he could eventually qualify for a pension.

Navy officials say his case was handled just as any other would be. But Lieutenant Geltz's lawyer, Mark McTernan, said he believes the navy acted "vindictively," and he is appealing the reprimand.

Some say that Mr. Medved may be dead or in prison. Mr. Malakhov, however, says the seaman was interviewed by Tass shortly after his return to the Soviet Union and was quoted as saying he was "amused by the reports in the U.S. press" that he was imprisoned or dead.

Reagan Takes A Verbal Shot At Reporters

Los Angeles Times Service

WASHINGTON — Expressing irritation at the press is a time-honored tradition among the nation's presidents. And President Ronald Reagan proved Friday that he subscribes to that tradition.

As reporters peppered him with questions in what was supposed to be a "photo opportunity" showcasing the findings of a panel on defense management, Mr. Reagan was caught using an expletive to vent his frustration.

"Sons of bitches," the president muttered, a remark he apparently thought would not be picked up by recording equipment.

The White House spokesman, Larry Speakes, initially said that Mr. Reagan "doesn't recall saying it" or even hearing anyone else utter the offending words. But when it became evident that CBS television had a tape that proved otherwise, Mr. Speakes turned to humor.

"If he said it," Mr. Speakes joked, "he said, 'It's sunny and you're rich.'"

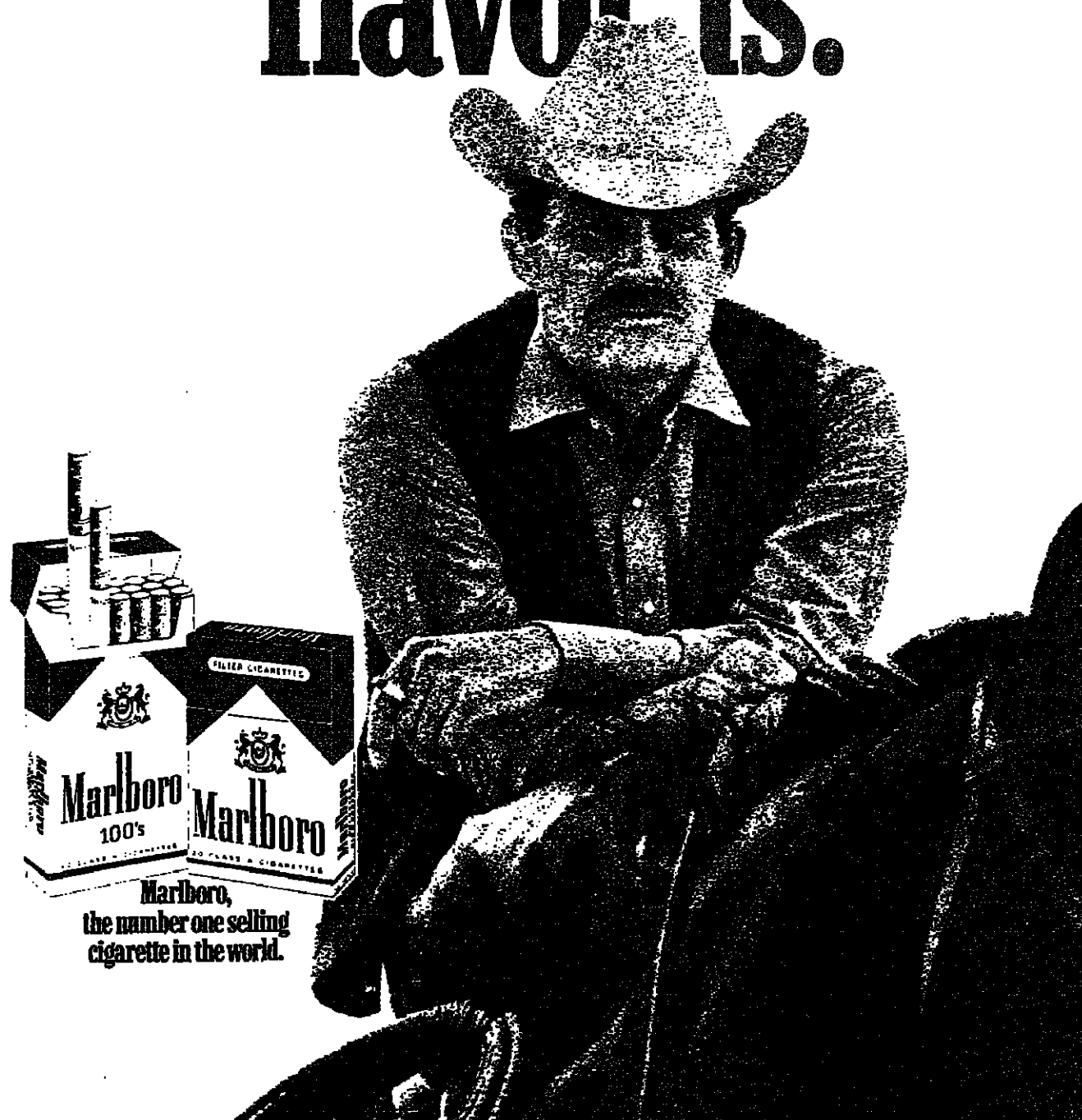
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Officers Admit to Plot To Bring Down Marcos, Allege a Later U.S. Role

By William Branigan

MANILA — Military officers were plotting to overthrow Ferdinand E. Marcos when he discovered their plan, officers who knew of the plot have said. By ordering their arrests, Mr. Marcos triggered the mutiny that brought him down.

The disclosure confirmed Mr. Marcos's widely disbelieved assertions of a military plot against him.

One of the Filipino officers involved said Friday that the reformist officers received important intelligence information through the U.S. Embassy, American military authorities and military attaches from neighboring countries once the mutiny began.

Information, the officer said, was provided on the disposition and activities of forces loyal to Mr. Marcos, including some intelligence gleaned from U.S. interception of communications.

In addition, Philippine Air Force planes, ordered by Mr. Marcos to attack a rebel base on the eastern outskirts of Manila, were allowed to land at a U.S. base 50 miles (81 kilometers) north of the capital when the pilots decided to defect to the rebels and purposely ran low on fuel, the source said.

A U.S. Embassy spokesman, Allan Croghan, confirmed that Philippine Air Force planes had landed at Clark Air Base on Sunday and Monday and had not taken off again on operations.

He had no comment when asked whether U.S. interceptions of the Marcos forces' communications and other military information had been passed to the reformists.

The military mutiny was led by Mr. Marcos's defense minister, Juan Ponce Enrile, and the armed forces vice chief of staff, Lieutenant General Fidel V. Ramos.

Hoxha's Widow to Lead Albania Electoral Group

VIENNA — The widow of Enver Hoxha, the former Albanian leader, has been elected chairman of the Democratic Front of Albania, the official news agency ATA said Sunday.

Nexhmije Hoxha, 65, whose husband died last April after four decades in power, was nominated Saturday by the current Albanian leader, Ramiz Alia, at a meeting of the Democratic Front's general council, the news agency said. Mr. Alia noted that Mrs. Hoxha had been a member of the general council since its founding in 1942.

Manila Uprising United an Unlikely Duo

Washington Post Service

MANILA — Juan Ponce Enrile was known as the smooth "company man," loyal to the boss but not without ambitions of his own.

An urbane, Harvard-educated corporate lawyer, Mr. Enrile joined the government of Ferdinand E. Marcos in 1966, shortly after its inception, and presided, as defense minister and martial-law administrator, over some of its worst abuses. His tenure also made him a wealthy man.

Cardinal Jaime L. Sin, the influential Roman Catholic archbishop of Manila, was once denounced by Mr. Marcos's wife, Imelda, as the "red cardinal" because of his Chinese origin and what she contended were his pro-Communist sympathies.

The cardinal was in fact a moderate anti-Communist. Nevertheless he found himself on the opposite side of the political fence from Mr. Enrile and the increasingly corrupt government that he represented for 20 years.

Then, a little over a week ago, all that changed. Mr. Enrile, along with General Fidel V. Ramos, the armed forces vice chief of staff, launched a mutiny against Mr. Marcos, and Cardinal Sin called out his own followers in full support of them.

Against what Mr. Enrile called "overwhelming odds" this "odd couple," Cardinal Sin and Mr. Enrile, triumphed.

The main beneficiary was Corason C. Aquino, who both men believed had legitimately won the presidency in a disputed election on Feb. 7.

How Cardinal Sin and Mr. Enrile came together and their followers merged — the cardinal's priests and nuns on one side, Mr. Enrile's core group of about 300 hardened combat veterans on the other — is a story of high-stakes gambling, overriding mutual in-



Cardinal Jaime L. Sin, left, with Defense Minister Juan Ponce Enrile at a Mass giving thanks for their victory.

terests and some apparent political expediency.

According to accounts pieced together in Manila, Cardinal Sin received a call at his archbishop's residence from Mr. Enrile at about 3 P.M. on Feb. 22. The defense minister had been warned that he and his security guards' organization were about to be arrested by Marcos loyalists in a crackdown on a military reformist organization.

Shortly afterward, Cardinal Sin got a call from General Ramos, who was joining Mr. Enrile in a military mutiny at Camp Aguinaldo.

do on the eastern outskirts of Manila.

Realizing that the two men were together and that they were determined to make a stand, Cardinal Sin sensed an opportunity to get rid of a corrupt, unpopular regime that he once compared to "a plague of locusts."

He also decided to go for broke and immediately summoned all the bishops, priests and nuns he could contact.

The marching orders were to get people out on the streets to support the mutineers through peaceful demonstrations aimed at blocking loyalist forces and

through "human barricades" to protect the rebels from attack.

Priests and nuns, who wield great influence in this predominantly Roman Catholic country, surrounded tanks and truckloads of soldiers, recited the rosary, gave them flowers and pleaded with the troops not to spill the blood of fellow Filipinos.

The plot worked. Every time that loyalist troops set out to attack the rebels in force, they eventually turned back without firing a shot.

The wily cardinal previously had maintained a policy that he called "critical collaboration" with Mr. Marcos, although occasionally he made his feelings plain.

In a speech in Washington last year, Cardinal Sin said that "because of the abuses of the present administration, Communism is gaining ground, and therefore we need a new face, a new leader."

His statements prompted Mr. Marcos to assert that the cardinal "still harbors his old fantasy of becoming a political leader."

As Mr. Marcos's defense minister since 1971, Mr. Enrile faced a similar problem with Cardinal Sin.

He complained in an interview in 1984 about the involvement of Catholic clergymen in activities that tended to support the New People's Army, which is waging a guerrilla war in the Philippine countryside.

"It's easier to deal with Marxists than people of God," Mr. Enrile said at one point in the interview.

Yet Mr. Enrile was increasingly isolated and shunted aside in recent years in a power structure dominated by General Fabian C. Ver, then chief of staff of the armed forces. He reportedly wanted to resign on more than one occasion, but was persuaded to stay on.

— WILLIAM BRANIGAN

Manila Moves to Seize Marcos Holdings

By Michael Richardson

MANILA — The head of a special Philippine government watchdog agency has acknowledged it will be difficult to recover some of the huge holdings of cash, property and valuables owned or controlled in countries outside the Philippines by the family of Ferdinand E. Marcos and close associates.

But Jovito Salonga, minister in charge of a presidential commission on good government, said in an interview Saturday that he was working closely with congressional

investigators and lawyers in the United States to sequester "ill-gotten accumulations of wealth" held by the Marcoses.

He said he had authorized lawyers to impound cash, gold and other valuables taken by the Marcos party to Hawaii in two U.S. transport planes after they fled the Philippines on Wednesday.

Reports from the United States say the cargo on the planes included 22 crates of new Philippine currency valued at more than \$1.1 million as well as numerous documents showing investments

that could be worth worth hundreds of millions of dollars.

Mr. Salonga was appointed Wednesday by President Corason C. Aquino and instructed to recover "hidden wealth" held by the Marcoses and their associates abroad and in the Philippines.

He also said Saturday that American lawyers had been engaged to prevent the sale or transfer of properties in New York thought to be controlled by Mrs. Marcos.

He said estimates of the value of overseas holdings of wealth in the hands of the Marcos family and associates that belonged to the Philippine state ranged between \$5 billion and \$10 billion.

Mr. Salonga, a lawyer and former senator, said Mrs. Marcos was fond of buildings.

"She had an edifice complex," he said. "So her investments were in penthouses, condominiums, estates, office buildings, things that you can see readily."

But he said that in the case of Mr. Marcos, his information was that holdings "are in the nature of deposits in banks."

Mr. Salonga said the bank accounts were in Switzerland, Brazil and possibly the Bahamas.

"The commission has to deal with different laws in different countries to get these deposits," he said. "Whether we can take over these is at best speculative."

Aquino Issues First Decree

(Continued from Page 1)

pected leaders of the Communist New People's Army. Their cases will be studied further because military officials have objected to their automatic release. On Friday she said that all political prisoners would be released.

Mr. Sison, speaking at the stockade in Fort Bonifacio, where he has been held on subversion and rebellion charges since November 1977, said that Mrs. Aquino had inherited a fragile presidency and should beware of the military and other people still loyal to Mr. Marcos.

Mr. Sison, 47, called the decision to delay his release a potential embarrassment. "If I am not released," he said, "that's proof that a lot still has to be done to promote democracy."

"Is there going to be national reconciliation excluding four people?" he asked. "Does it mean that Mrs. Aquino is prepared to recognize the jurisdiction of military commissions?"

Mr. Sison, who said he was tortured in the early years of his imprisonment, looked well and spoke animatedly.

He said the key issues for the Communists were land redistribution and the removal of the two U.S. military bases.

"The moment Mrs. Aquino proposes to solve the land problem, then that is the time for Mrs. Aquino and the NPA to talk," he said, referring to the New People's Army. "There would have to be a dialogue before a cease-fire."

Asked if Mrs. Aquino's popular appeal would mean a loss of support for the 15,000-strong New People's Army, Mr. Sison said: "There is an immediate problem. Mrs. Aquino has the people's support but at the same time she benefited from a revolt by the military establishment. There are dual aspects to her position."

"She has inherited the whole military instrument that was used by Marcos to exploit the people. There are still problems to solve."

Mr. Salonga said the Marcoses and their associates had been "very clever. They did not hold their properties in their own names."

Mr. Salonga said the commission would have sweeping powers to issue seizure and freeze orders, subpoena witnesses and hold them in contempt if they did not cooperate.

He said Friday that he would recommend to President Aquino that the government immediately take over the Manila Electric Co. and other "crony-owned" public utilities.

Mr. Salonga said the electric company, which provides power to the capital and four nearby provinces, was controlled by one of Mrs. Marcos's brothers, Benjamin Romualdez, through a foundation. Mr. Romualdez was formerly the Philippine ambassador to the United States.

Mr. Salonga said hotels and other assets held illegally by the Marcoses and their associates in the Philippines would be confiscated.

"It is a matter of proving concrete evidence that these properties are owned and controlled by Marcos or Mrs. Marcos through dummy companies and associates and cronies," he said.

Mr. Salonga said it appeared that nearly all the Marcoses' close associates who controlled the large amounts of illegally acquired wealth had left the Philippines.

More Valuables Disclosed

Real estate deeds, stocks and bonds and other documents detailing investments potentially worth hundreds of millions of dollars were aboard two U.S. Air Force transport planes that carried Mr. Marcos and his party to Hawaii last week, government sources said Saturday. The New York Times reported from Hawaii.

The documents, along with large amounts of U.S. and Filipino currency, jewelry and other valuables, are being held under guard at Hickam Air Force Base in Hawaii until American officials determine what to do with the material.

The question of whether Marcos will be allowed to keep the money and valuables could present an embarrassing problem to the Reagan administration.

Appearing to set the stage for a court battle over the valuables and documents, the White House said Friday that "if there are any disputes or claims, they will be handled in accordance with United States, Filipino and international law, as appropriate."

In addition to boxes that are said to be filled with cash, property deeds, stocks, bank certificates of deposits and other documents, a large amount of jewelry, art works, gold and other valuables is reported to have been brought from the Philippines by the Marcos party.

Members of the Marcos party, who are living in a cluster of closely guarded homes at Hickam Air Force Base, are not being allowed access to their property, except for a small amount of clothing and personal items, the spokesman said.

Mr. Marcos, in a brief appearance before reporters Friday, said he was looking for "private quarters to rent or lease."

He read a "letter to the Filipino people" in which he said he had decided to give up power without a fight because even though he had "superior military force" at his command, resistance would have resulted in a "bloody carnage of our innocent civilians."

At the top of the copy issued to reporters was a typed letterhead: "Office of the President of the Philippines, Manila."

U.S. to Endorse 'Force' As Reply to Terrorists

But New Policy Bars Random Strikes Against Nations Harboring Attackers

By Bernard Gwertzman

New York Times Service

WASHINGTON — The Reagan administration, in a new policy declaration on combating terrorism, will endorse "a judicious employment of force" to retaliate against terrorist attacks and to deter further attacks, an administration official said.

But the report, to be issued Thursday, will rule out random acts of retaliation against nations harboring terrorists, the official added.

Several officials said the report, by Vice President George Bush's Task Force on Combating Terrorism, more or less keeps to the current policy lines. Recent policy has been marked by disagreements within the administration on how to respond to specific attacks.

The report, which follows a study that lasted several months, was to be released Friday, they said. But the publicity over developments in the Philippines and over President Ronald Reagan's speech on defense issues led to a postponement, they said.

American officials have said for some time that there was a particular need for an agreed policy within the administration on dealing with terrorists.

Robert B. Oakley, the ambassador at large who is to coordinate policies with foreign governments, said Friday, "We predict that on the international stage, the terrorist threat is likely to continue to grow and be with us for at least another decade."

The report to be released this week states that a "successful deterrent strategy may require judicious employment of force." But that position is qualified, administration officials said, by the statement that it is against American principles "to engage in random retaliation."

The report says that when terrorists can be identified and located, the U.S. policy is to act in a way that does not surrender "basic freedoms" or endanger "basic values."

The overriding thrust of the report seemed to reflect the Reagan administration's increasing commitment to take a more forceful approach in dealing with terrorists.

But the differences between Secretary of State George P. Shultz and Defense Secretary Casper W. Weinberger on the use of force seemed unresolved. Mr. Shultz has advocated a more liberal use of force in retaliation against terrorism.

As a result of the attacks in December at the Rome and Vienna

airports, Mr. Shultz reportedly supported military attacks on Libya, which was accused of carrying out the shootings at the airports.

But Mr. Reagan in the past agreed only to tighten economic sanctions against Libya, while warning that further steps might be taken.

The Bush panel, which was headed by Admiral James L. Holloway, former chief of naval operations, had several bitter disputes, participants in the study said. A major difference involved how the anti-terrorist fight should be managed.

The final recommendations, which were approved recently by Mr. Reagan, are said to represent a compromise.

The Justice Department, mainly through the Federal Bureau of Investigation, remains the "lead agency" for combating terrorism within the United States.

The State Department, which has asked for \$4.4 billion to strengthen its overseas and domestic security ability, will be the lead agency responsible for responding to terrorist activities abroad.

Within the department, the newly formed Bureau of Diplomatic Security, headed by Robert E. Lamb, will be in charge of providing protection for U.S. facilities and personnel abroad.

Mr. Oakley, the ambassador at large, remains in charge of coordinating efforts with other governments and within the administration.

Because of the differences within the government over the proper use of force against terrorists, the report calls for the creation at the White House of a "special high-level coordinating group" where there is a crisis "where the use of American force might be considered."

Mr. Oakley told a Judiciary subcommittee of the House of Representatives on Friday.

Other officials said the recommendations accepted by Mr. Reagan included federal legislation providing for the death penalty for killing an American abroad in a terrorist incident, and a special terrorism intelligence center.

Also accepted were moves to combine the House and Senate intelligence committees; an increase in the amount of money available for information on apprehending terrorists from \$500,000 to \$1 million; and the extension of American citizenship, as well as protection from prosecution, to people who provide information on terrorists.

Reagan Action on Mar. Carries Message for Dictators

(Continued from Page 1)

Washington's recognition of Mrs. Aquino's government was immediate.

At the same time, U.S. officials were examining larger implications. Could the new Philippine government and the interim one in Haiti cope with their virtually overwhelming problems?

How would other undemocratic governments perceive Mr. Reagan's actions? Would he seek to apply similar principles to South Africa, after having carefully avoided a showdown over President Pieter W. Botha's racial policies?

Reagan administration officials themselves did not know the answers. But they were well pleased with the week's work.

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World Leaders Express Shock, Sorrow Over a 'Senseless Act'

Compiled by Our Staff From Dispatches

WASHINGTON — President Ronald Reagan expressed shock and sorrow over the death of Prime Minister Olof Palme and praised him as "a man who made compassion the hallmark of Swedish policy."

Mr. Reagan called the prime minister's assassination "a senseless act of violence" and extended his condolences to Mr. Palme's family and the Swedish people.

"The world will remember him for his devotion to democratic values and his untiring efforts to promote peace," the president said.

The White House said President Reagan and Vice President George Bush had sent private letters of condolence to Mr. Palme's widow, Lisbeth, who was slightly wounded in the attack, and that Mr. Reagan had also sent a private message to King Carl XVI Gustaf.

Sweden's neighbors were stunned by the murder.

Norway's prime minister, Kaare Willoch, said, "Such a shocking act of violence will cast dark shadows for a long time."

In Copenhagen, Prime Minister Poul Schluter said he was "deeply moved and utterly paralyzed," adding, "It is so meaningless and tragic."

Prime Minister Kalevi Sorsa of Finland said Mr. Palme was the international community's peace fighter and conscience.

"Justice and equality in the world were Palme's working principles," he said. "They are his heritage to us and they shall live."

In China, Prime Minister Zhao Ziyang praised Mr. Palme as a renowned international activist who

had made positive contributions to world peace.

In Moscow, where delegates to the congress of the Soviet Communist Party stood in silence for a minute in tribute to Mr. Palme, the Soviet press agency, Tass, described his killing as "a terrorist attack."

The Tass article said the attack was the result of his work on behalf of the campaign for peace, disarmament and East-West cooperation.

Tass listed the slaying among cases of what it called punishment of peace activists by "militarists of all stripes," including U.S. and West German officials.

Pope John Paul II condemned the assassination and, in a telegram to the king, said that he prayed that God would persuade people to renounce acts of hatred and work together to establish peace.

Queen Elizabeth II sent the king a message expressing her sympathy for Mr. Palme's family and the Swedish people. Prime Minister Margaret Thatcher said the government of Britain was appalled at the slaying.

Prime Minister Rajiv Gandhi of India, who had worked closely with Mr. Palme in campaigning for nuclear disarmament, declared Sunday a national day of mourning in India. Mr. Gandhi said that he had lost a good friend and that the world had lost one of its wisest statesmen.

Chancellor Helmut Kohl of West Germany called the assassination a "cowardly ambush."

In Canada, Prime Minister Brian Mulroney said Canadians had been struck by the "brutal blow to a man in the prime of life who was denied

the dignity of a death detached from violence."

President François Mitterrand of France spoke of an "old and loving relationship" he had enjoyed with Mr. Palme. In Greece, Prime Minister Andreas Papandreu called Mr. Palme "a symbol of all that is decent in the world."

In Tokyo, Prime Minister Yasuhiro Nakasone described Mr. Palme as a statesman of conscience who exerted great strength in working for promotion of world peace and disarmament.

"He was a personal friend and truly a steadfast supporter of the United Nations," said Javier Pérez de Cuellar, the UN secretary-general, in a letter to Sweden's foreign minister, Lennart Bodström. Mr. Palme had been the secretary-general's special representative on the Iran-Iraq war since 1980.

The East German leader, Erich Honecker, sent a telegram to King Carl expressing indignation and sorrow.

Nicolae Ceausescu, the president of Romania, told the Swedish king in a message that his country had learned of Mr. Palme's death "with deep sadness."

In the Uruguayan resort of Punta del Este, eight Latin American foreign ministers expressed "surprise, shock and grief."

The ministers from Argentina, Brazil, Colombia, Mexico, Panama, Peru, Uruguay and Venezuela were meeting to discuss new peace moves in Central America, an area in which Mr. Palme had taken a special interest.

Prime Minister Shimon Peres of Israel expressed shock at Mr. Palme's death, calling him "a brilliant figure sensitive to justice abroad as well as in his own country."

(NYT, AP, Reuters)

Backlash Aimed at Immigrants Is Feared

Reuters

STOCKHOLM — Ingemund Bengtsson, the speaker of Sweden's parliament, has expressed fear that the murder of Prime Minister Olof Palme could cause an outburst of hatred toward Sweden's many immigrant communities should the assassin prove to be a foreigner.

Politicians fear an explosion of anti-immigrant feeling in a country where nearly a tenth of the population is foreign-born.

Mr. Bengtsson said: "I am afraid of what could happen if the culprit turned out not to be Swedish. The hatred towards immigrants could become horrific."

On Sunday, foreigners and Swedes were united in mourning the prime minister, under whose leadership the country saw an influx of about 25,000 immigrants per year.

"We'll never forget him," said Dederen Mehmet, leader of the Turkish and Islamic Association. "Whoever did it was a bastard."

Mr. Mehmet said he would not blame Swedes if they reacted with hatred toward the immigrant community if the killer proved to be a foreigner.

"It's perfectly normal to react that way," he said.

Sweden harbors about 30 minorities, including about 33,000 Latin Americans, 4,000 Iranians, 17,000 Turks, 40,000 Yugoslavs and 5,000 Kurds.

Like most of Western Europe, Sweden has tightened immigration policies amid domestic economic problems, but under Mr. Palme it has remained one of the most open societies in the world to those fleeing unrest and human rights abuse.

However, over the past year, the country has seen the first signs of racist activity, with small groups of neo-Nazis calling for expulsion of immigrants.

The murder also has robbed Sweden of its only politician of international stature and left foreign policy in the hands of relative newcomers.

"Virtually all of Sweden's major international initiatives were directly attributable to Palme's driving influence and interest in foreign affairs," a Western diplomat said.

Mr. Palme's initiatives included the Palme Commission, an independent disarmament lobby grouping countries from the East, the West and neutrals; the Five Continents initiative on a nuclear freeze; and mediation attempts in the Gulf war.

His successor, Ingvar Carlsson, has little experience in foreign affairs. Foreign Minister Sten Andersson took up his post only last October.

Diplomats said the thrust of Swedish foreign policy, with its emphasis on safeguarding the country's neutrality, campaigning for disarmament and helping the Third World, would remain the same but that the style would change.

"Without Palme there is far less scope for flamboyant initiatives," a diplomat said.

Palme: An Aristocrat Turned Socialist

By Robert D. McFadden
New York Times Service

NEW YORK — Olof Palme was the dominant figure in Swedish politics in the 1970s and 1980s and was a forceful, often acerbic voice on the world stage as well.

First elected chairman of Sweden's Social Democratic Party and prime minister in 1969, Mr. Palme led his party in two consecutive general elections before losing in 1976 to a coalition of non-Socialists in a defeat that ended 44 years of Socialist government.

In 1982, Mr. Palme led the Social Democrats back to power. Re-elected last fall to another three-year term, he remained at the helm until his assassination.

Mr. Palme, 59, was something of a paradox: an aristocrat turned Socialist, perhaps the most leftist of the Western leaders, head of a neutral nation of 8.3 million people but seemingly more at home in the international arena.

He infuriated the United States with outspoken opposition to American involvement in the Vietnam War. He often spoke out for nuclear disarmament and urged a nuclear-free Europe, starting with Scandinavia. He often seemed to favor the Soviet Union in East-West disputes and was less than adamant even when Soviet submarines were reported to have intruded into Swedish waters.

In 1980, he and Austria's chancellor, Bruno Kreisky, and the Spanish Socialist leader, Felipe Gonzalez, formed a mission to Tehran in an unsuccessful effort to seek a solution to the U.S.-Iranian hostage crisis.

Mr. Palme also served unsuccessfully as a United Nations peacekeeper in the long border war between Iran and Iraq, making several trips into the region to discuss proposals for winding down the fighting. Though he had many critics, his admirers called him a man with a "world conscience."

At home, Mr. Palme used high taxes to create a society generous with medical, educational and recreational benefits. He scoffed at calls for tax cuts, more competition and less welfare spending as a prescription for a society of "egoism and sharp elbows."

A slight, blue-eyed man with a formidable intelligence and an eagerness for debate, Mr. Palme spoke fluent English, French, German and Spanish and some Russian, in addition to the Scandinavian languages. He could inspire his followers with visions of Socialist life, but he also had a hectoring manner that many people took for condescension.

"I was born in the upper class, but I belong to the labor movement," Mr. Palme once said. "I got there by working for the working class on its own terms, by joining the movement working for free-

dom, equality and fraternity among people."

Mr. Palme was born Jan. 30, 1927, the youngest of three children of an upper-class family in Stockholm. The future leader was often in ill health as a child but he was a good student, learning several languages by the age of 4.

After graduating a year early, at 17, from one of Sweden's best private schools, he entered military service as a draftsman and rose to become a cavalry lieutenant. He won a scholarship to Kenyon College in Ohio, where he earned straight A's and received a bachelor's degree in 1948.

After graduation, Mr. Palme hitchhiked around the United States for four months, visiting 34 states on a \$300 budget that took him into pockets of poverty in a land of plenty.

He said he recalled having seen

"how poor some people were in the world's richest land." The adventure was a turning point in his life, and the comment was virtually a theme for the Socialist ideology of his political life.

Continuing to travel, he found himself in Prague in 1949. There, he married a Czechoslovak student simply to help her leave for the West. The couple left for Sweden immediately after their wedding in December and later were divorced as planned. Mr. Palme and his second wife, Lisbeth Beck-Friis, were married in 1956 and had three children.

Mr. Palme earned a law degree from the University of Stockholm in 1951. By then he had been a member of the Social Democratic party for a year.

"I shall remain a Social Democratic party worker for the rest of my life," he said at the time.

In 1956, Mr. Palme was elected

to his first eight-year term as a member of the upper house of the Riksdag, the Swedish parliament.

Mr. Palme joined the cabinet of Prime Minister Tage Erlander as a minister without portfolio in 1963. Two years later he became minister of communications.

In 1967 Mr. Palme became minister of education and religious affairs. He promoted changes that included strengthening Marxist curricula, and he irritated many conservative Swedes by allowing himself to be interviewed in the sexually explicit film "I Am Curious (Yellow)."

A year later, he marched with the North Vietnamese ambassador to Moscow in a Stockholm demonstration against the American role in the Vietnam War. He soon became known outside Sweden as a major critic of the U.S. involvement in Vietnam.

Mitterrand Rejects 'Discount' Role

The Associated Press

PARIS — President François Mitterrand said Sunday that he would rather resign than be a "discount president."

But in his first public indication that he is prepared to pick a prime minister from the center-right opposition after parliamentary elections in two weeks' time, he said a clear-cut majority would dictate his choice.

"There is no question of my being a discount president," Mr. Mitterrand said. "I would rather renounce my functions than renounce my rights."

Asked about his choice of prime minister, Mr. Mitterrand said it was his duty to assess the "popular will."

"If voters choose a clear majority with precise contours, my job is to try to designate as prime minister a personality from that milieu. If a clear majority results from the voting, the president, who names the prime minister, approaches a person from that majority."

Opinion polls show that the Socialists will lose the elections, leaving a president with a hostile parliament for the first time since the Fifth Republic was founded by Charles de Gaulle in 1958.

"I am the president of the republic," Mr. Mitterrand said. "I will assume my responsibilities whatever the majority. If it's a combative majority, and especially if it's combative against the president of the republic, there will be a sort of disorder, a very great difficulty. I count on my domain being respected."

Jacques Chirac, the leader of the neo-Gaullist Rally for the Republic and the main candidate for the prime minister's post, has said that cohabitation, under which Mr. Mitterrand would remain as president with a rightist prime minister, is possible provided that the president gives the right a free hand to implement its program.

However, former Prime Minister Raymond Barre, a centrist who is

consistently cited as one of France's most popular politicians by polling institutes, says that Mr. Mitterrand should resign if the Socialists lose the elections.

Mr. Mitterrand has said that he will remain until the end of his seven-year presidential mandate in 1988.

"A majority which tries to dispute the powers of the chief of state conferred by the constitution will be making a very serious mistake," he said Sunday.

Mr. Mitterrand said that his television appearance Sunday night would be his last before the elections March 16.

Opposition leaders have accused Mr. Mitterrand of abusing his position by campaigning for his Socialist Party.

On Saturday, the Audiovisual High Authority, a government-appointed watchdog group, told the opposition it could make brief responses to Mr. Mitterrand during regular television news programs.

Brazil Gets Large Cut in Interest Payments

(Continued from Page 1)

at cutting Brazil's inflation rate, currently 225 percent a year.

Prices were frozen, generalized indexation of the economy was ended, and a new currency, the cruzado, replaced the inflation-weakened cruzeiro.

As part of the program, the cruzeiro is replaced by the cruzado, which will carry three fewer zeroes. The cruzado on Friday was valued at 13.8 to one U.S. dollar, only

slightly above Thursday's value of 13,750 cruzeiros (13.75 cruzados).

Banking sources said Sunday that the inflation program, though welcomed, did not really affect the outcome of the rescheduling negotiations. One banker said that Brazil had been working on the program for some time and he felt its announcement was "coincidental."

(Reuters, UPI)
■ Rio Bank Workers Strike
Rio de Janeiro's 70,000 bank

workers have started an indefinite strike to protest the Sarney government's wage restrictions, Reuters reported Sunday.

The wage restrictions, which were matched by a price freeze, also came under attack from the president of the powerful São Paulo metalworkers' union.

Also over the weekend, angry customers looted supermarkets in Rio de Janeiro and São Paulo after shopkeepers marked up prices despite the price freeze.



Olof Palme and his wife, Lisbeth, taking part in a recent demonstration in Stockholm.

Police Believe Killer stalked Palme Before Attack

(Continued from Page 1)

similar to those fired by the assassin.

Shortly after the killing, the police found one of the bullets about 40 yards from Mr. Palme's body. This bullet, they said, apparently was the second of the two fired and had passed through the clothing of Mrs. Palme, injuring her slightly.

The fatal bullet, which hit Mr. Palme in the upper back and exited his body, was found in snow and debris police had gathered from the sidewalk near where he fell.

The Swedish government, under the acting prime minister, Ingvar Carlsson, met Sunday and confirmed that it would make no changes in Mr. Palme's cabinet.

His Social Democratic Party, whose parliamentary majority is expected to confirm Mr. Carlsson

in a March 11 vote, said that Mr. Palme's funeral will be March 15.

■ Attempt to Revive Palme

Joseph Leyveld of The New York Times reported earlier:

Anna Hage, a 17-year-old trainee nurse who was sitting in a parked car nearby when the prime minister was shot, tried to apply heart massage techniques she had learned. As she approached the wounded man she had no idea who he was, she later said, but Mrs. Palme cried out: "It's my husband! Don't you see who I am?"

Miss Hage said that she felt Mr. Palme's pulse start and then stop. He was bleeding heavily from the mouth.

The place where he fell, in front of an art supplies shop on a main north-south artery called Svena-

gen, was more than two blocks from the movie theater where he had seen a new Swedish comedy and about a 15-minute walk from his home in the part of Stockholm known as Old Town.

Thousands gathered to stand and stare behind metal barricades that the police had thrown up where Mr. Palme was shot.

Metal barricades kept the crowds that gathered near there Saturday at a distance of a block. But the police accepted bouquets of flowers, mainly roses, from members of the crowd and carried them to the spot where Mr. Palme fell. As the afternoon wore on and the pale winter sun sank in the sky, a mound of roses was gradually raised at the site where overnight a small pool of blood had frozen.

Many of the bouquets carried messages, expressing bewilderment.

"Who has killed our dove of peace?" one of these asked. "Why should a true democrat be murdered?" asked another.

The dearth of firm evidence became apparent Saturday night when an embarrassed police official, Kenneth Karlsson, had to retract an earlier police version of evidence given by Mrs. Palme.

Mrs. Palme was originally reported to have told the authorities that she thought the assailant resembled a man she had seen lurking near her home.

But Mr. Karlsson, who was understood to have offered the revised version on the insistence of Mrs. Palme, acknowledged that she had said nothing about a resemblance. What she had done, he said, was to recall two men whose behavior near her residence seemed suspicious when she noticed them three weeks ago.

John Paul to Visit Colombia

Reuters

VATICAN CITY — Pope John Paul II said Sunday he would visit Colombia in July and expressed the hope that he could tour other Latin American countries "in the not too distant future." It was the pope's first reference to the visit, although the Colombian authorities said earlier that he had accepted an invitation.

Deputy Nominated to Succeed Slain Leader

(Continued from Page 1)

University in Evanston, Illinois, where he studied economics.

In 1961 he returned to the Erlander cabinet and also became chairman of the Swedish Social Party Youth League, a post he held until 1967.

In 1964 he was elected to parliament, becoming its youngest member. In 1967, Mr. Erlander named him undersecretary of state.

When Mr. Palme succeeded Mr. Erlander in 1969, Mr. Carlsson

took over from Mr. Palme as minister of education and cultural affairs, becoming the youngest minister ever.

In 1973 he was named minister of housing and physical planning and devoted himself to energy and economic questions.

From 1971 to 1974, he was chairman of the Stockholm County branch of the Social Democrats, and since 1972 he has been a member of the party's executive committee.

After the party lost in 1976 to a coalition of non-Socialists, Mr. Carlsson devoted himself to planning its comeback. When the Social Democrats regained control, he assumed responsibility for research and planning.

As party theoretician, he acquired such nicknames as "the wise old man" and "the cleaning woman."

He is married to the former Ingrid Melander, a librarian. They have two daughters.

Lady Amalia Fleming, Greek Politician, Dies at 73

New York Times Service

ATHENS — Lady Amalia Fleming, 73, a prominent political activist and the wife of the British doctor who discovered penicillin, died Wednesday in Athens.

A hospital announcement said that Lady Fleming, who was a Socialist Party member of the Greek legislature and also a member of the European Parliament, died of a heart attack resulting from kidney failure.

A medical graduate of Athens University, Lady Fleming went to England for postgraduate studies and in 1946 became an assistant to

Sir Alexander Fleming. They married in 1953 when he was 72 and she was 37. He died two years later, and she never remarried.

Lady Fleming was born Amalia Koutsouri in 1912 in Constantinople.

During the 1941-44 Nazi occupation of Greece, she joined the local resistance movement and provided supplies and information to British, Australian and New Zealand officers. She also provided false identity papers to foreign officers and to Greek Jews.

Lady Fleming was equally active

against the military regime that ruled Greece from 1967-74. She was arrested in September 1971 and sentenced to 16 months imprisonment on charges of plotting the escape of a man who had tried to assassinate the Greek ruler George Papadopoulos. She was released on health grounds two months later, but was stripped of her citizenship.

Laura S. Hobson, 85, Wrote 'Gentleman's Agreement'

NEW YORK (AP) — Laura S. Hobson, 85, the author of "Gentleman's Agreement" and eight other

novels, died of cancer Friday in New York.

Mrs. Hobson also wrote an autobiography, hundreds of short stories and articles, news features and advertising copy during a career that spanned six decades.

But "Gentleman's Agreement" brought her the most fame. The story is about a writer who poses as a Jew to learn of anti-Semitism. The movie, starring Gregory Peck and Dorothy McGuire, won the Academy Award as the best film of 1947 and the New York Film Critics' best film citation.

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Reagan Opts to Sell Missiles to Saudis, But Congress Will Likely Block Deal

By Bernard Gwertzman
New York Times Service
WASHINGTON — President Ronald Reagan has decided to sell more than \$300 million worth of missiles to Saudi Arabia despite the strong possibility that the sale will be blocked by Israel's supporters in Congress, according to a senior White House official.

The official said Friday that the Saudis were concerned about recent successes by Iran in its war with Iraq because Iranian troops had moved close to Kuwait and the Gulf oil fields.

"We're going to ask the Congress for it," the official said of the sale, "on the ground that the Saudis think they need it."

He said the Saudis "feel threatened right now with Iran seemingly pushing Iraq back and seizing Iraqi territory," adding: "They are getting very close to Kuwait, and you know from Kuwait to the oil fields doesn't take that much time."

The official said the arms package included advanced models of the Sidewinder air-to-air missile and the shoulder-held Stinger anti-aircraft missile. Harpoon anti-ship missiles also may be included.

The exact number of missiles had not been decided, State Department officials said. But the package was said to include as many as 1,700 Sidewinders, 800 Stingers and 100 Harpoon missiles.

The package probably will be submitted to Congress this week, the department officials said. Congress could reject the sale by acting within 30 days by majority votes in both houses.

If lawmakers rejected the sale, Mr. Reagan could veto their decision. It would take a two-thirds vote in both houses of Congress to override his veto.

The senior White House official said the administration was aware that the leading pro-Israel lobby in Congress, the American Israel Pub-

lic Affairs Committee, already has begun a campaign against the deal, and that a majority of the Senate is on record as opposing it.

Overwhelming opposition from Congress caused the administration to suspend reluctantly a pending \$1.9-billion military sale to Jordan last month.

Senior officials in the State and Defense departments have expressed concern that the administration's credibility with its traditional friends in the Arab world would be damaged severely if it cannot follow through on the sale to Saudi Arabia.

The administration originally planned a year ago to sell Saudi Arabia a much larger arms package, including F-15 jet fighters, M-1 tanks and bomb racks and auxiliary fuel tanks for the F-15s. But the offer was never made because of opposition expressed informally by more than two-thirds of the Senate.

Clergyman In S. Africa Rescues Man At Funeral

The Associated Press
JOHANNESBURG — A leading anti-apartheid clergyman, the Reverend Allan Boesak, leaped from the altar Saturday to rescue a black man from funeral mourners who believed him to be a police informer.

Black mourners in the town of George, east of Cape Town, attacked the man after the Reverend Freddie Booi, a black Anglican priest, said during his eulogy: "There is an informer in the church, and there he sits."

Mr. Boesak, who is of mixed race, rescued the bleeding man from assailants, shielded him and helped him into a car, according to witnesses.

Mourners pummeled the man, shouting "Kill the traitor!" and "Burn informers!" and later burned down his house, witnesses said.

Elsewhere, police reported six blacks were killed in weekend unrest. Three were killed by police, including one when policemen were attacked by blacks throwing stones near Durban.

The funeral service in George was for two blacks shot by police. It resumed after Mr. Boesak drove the man accused of being an informer to safety in Lwasekampi, George's black township.

Suspected informers have been attacked before at funerals, which often become anti-apartheid rallies in a country where security laws prohibit most forms of protest. Sometimes the people under suspicion have been stoned and beaten to death.

The man Mr. Booi denounced was Madlavi Mathuka, who residents later said had been seen in police uniform and with police in a car. Little else was known of his background.

Mr. Mathuka stood up in front of the 1,500 mourners and said, "Yes, I am the one you are accusing," according to witnesses.

Witnesses said the crowd began to beat Mr. Mathuka as he tried to make his way to the door of the church with his two sisters.

Mr. Boesak, a founder of the United Democratic Front anti-apartheid movement, jumped from the altar, pushed his way through the crowd and grabbed Mr. Mathuka, who was bleeding from a cut below his eye.

Mr. Booi said he had not meant to turn the crowd on Mr. Mathuka, saying: "I only wanted to teach him that he should not come to a church and provoke the people with his presence."

After rejoining the service at St. Paul's Anglican Church, Mr. Boesak said: "I don't know if I saved the man's life. I didn't want to see him hurt. I just did what I had to do under the circumstances."

Mr. Boesak is free on bail on four counts of subversion resulting from his planned march on Pollsmoor Prison last August. Nelson Mandela, the black leader, has been in prison there since 1964 for plotting sabotage.

Iran Linked To Bombing Of Tanker

MANAMA, Bahrain — Five warplanes, apparently from Iran, bombed a Turkish tanker in the Gulf on Sunday, killing the ship's chief officer and injuring a crew member, shipping officials said.

The attack on the Atlas 1, which was headed for the Saudi Arabian oil terminal of Ras Tanurah, appeared to be in retaliation for four strikes by Iraq over the past week on tankers using Iranian ports.

In Istanbul, the general manager of a state-owned shipping company said the ship "was hit by bombs from five still unidentified military aircraft 150 miles (243 kilometers) off Ras Tanurah."

Shipping sources in the Gulf said the attack appeared to have been carried out by Iranian aircraft, judging from the use of bombs and the ship's position 85 miles east of Qatar.

After the attack, the 79,753-ton ship turned off its course for Ras Tanurah, where it was to have loaded 135,000 tons of crude oil, and headed south.

It traveled to the small island of Halul, where the injured man was to be picked up and airlifted to the Qatari capital of Doha, then headed for Dubai in the United Arab Emirates under its own power.

The strike was the first attributed to Iran since Feb. 6. It followed Iraqi attacks that damaged four ships that shuttled oil between the main Iranian oil terminal, Kharg Island, and the makeshift terminal on the island of Jazireh-ye Sirri in the calmer southern Gulf.

Two of six Iranian soldiers brought to Switzerland last week with what one hospital official said were mustard gas burns have died of their injuries, according to a hospital official quoted Saturday in Liestal by The Associated Press.

Kasparov, Karpov Chess Rematch To Be Played In London, Leningrad

The Associated Press
LUCERNE, Switzerland — The rematch between the world chess champion, Garry Kasparov, and the former titleholder, Anatoli Karpov, is to be split between London and Leningrad, with the first game to be played July 28 in London, the International Chess Federation said Saturday.

The first half of the rematch is to be organized by the British Chess Federation. After 12 games the match is to move to Leningrad, where tournament play will be overseen by the Soviet Chess Federation, according to the International Chess Federation, which is commonly known by its French-language acronym of FIDE.

"The possibility to organize the entire match in London did not materialize," the international federation said, without giving details. It said both national federations had agreed to the schedule.

The decision to split the venue was made by the federation's president, Florencio Campomanes of the Philippines, the international federation said.

The maximum length of the rematch will be 10 weeks and, allowing one week for the change of location, play should end by Oct. 11 at the latest.

Each player is to be allowed a maximum of three postponements. The transfer to Leningrad is to take place in early September, but an exact date would depend on postponements taken by the players.

Calm Returns to Cairo After Police Rampage

CAIRO — Tourists rode camels again Sunday in the shadows of the Giza Pyramids and traffic policemen were back on duty in the capital five days after thousands of conscript security policemen began a riot that claimed at least 36 lives.

Three security police camps in the Pyramids area were still ringed by soldiers, but all of the camps appeared to be under the army's control. Residents said they heard no shooting Saturday night or Sunday morning.

Police camps northeast of Cairo along the desert road to Ismailia, where gunfire and explosions were heard early Saturday, also appeared calm on Sunday.

Traffic at the Cairo airport appeared normal, with flights taking off and landing on schedule. The Egyptian authorities have ordered a news blackout on their investigation into the cause of the rioting, which began Tuesday.

The riots originally were blamed on a rumor that the conscripts' period of service was to be extended from three years to four. The government denied the rumor.

The conscripts are assigned to the police forces instead of the armed forces because of a shortage of policemen. Their main duty is to direct traffic.

■ **Taba Talks to Resume**
The Egyptian government announced Saturday that it would host talks this week with Israel on the disputed border area of Taba, United Press International reported from Cairo.

The Foreign Ministry said an Israeli delegation would arrive Monday night and that talks would resume Tuesday.

Taba, a tiny strip of beach on the Gulf of Aqaba, has been in dispute since Israel withdrew from the rest of the Sinai peninsula in 1982.

Debate Is Common in South Korea, as Are Police

By Susan Chira
New York Times Service

SEOUL — The other day, a curious crowd gathered on the avenue near the headquarters of South Korea's main opposition party. They gazed at the scene: rows of policemen in big black helmets that make them so uncannily resemble the "Star Wars" character Darth Vader, black armored cars with sirens and tear-gas dispensers and hundreds of plainclothesmen, their youthful faces blank as they stood in the cold with parkas zipped tight.

"What is it," one onlooker said, "a traffic accident?" The sight of helmeted policemen and plainclothesmen does not faze most people in Seoul. They see them every day, guarding the entrances to the city's ubiquitous underground passageways or taking tea breaks at their semipermanent posts outside university campuses.

The hand of authority is everywhere visible, but South Korea is a curious kind of authoritarianism. This is a country where the government can place opposition politicians under house arrest for starting a petition drive for a

constitutional amendment, but where people do not cower in fear when a foreigner asks their opinion of the government.

It is a society where newspapers to the government's political line and bitterly attack its economic policies. It is a place where political

debate rages among some, while many others save their fervor for the work place.

Over the last few days, while the government deployed thousands of policemen to seal opposition party headquarters, confine opposition politicians to their homes and detain scores of others for questioning, public information officials have become concerned about their government's image.

At a coffee break the other evening, an information officer handed over a note asking reporters to stop using the term "house arrest" to describe the confinement of opposition politicians to their homes by police troops.

Because no warrant for arrest had been issued, the government

said, the term was inaccurate. Instead, the government suggested that reporters use the term "preventive restraint."

With North Korea about a 45-minute drive from central Seoul, air raid drills and emergency precautions are second nature to the residents of this city. But for a few minutes the other day, when a Chinese pilot defected by flying his MiG-19 aircraft into South Korean airspace, the emergency for which Seoul prepares so carefully seemed all too real.

At 2:26 P.M. on a Friday, air raid sirens sounded throughout the city. Radio and television programs were interrupted with a warning that an unidentified aircraft was approaching South Korea.

Restaurants and theaters were asked to evacuate patrons. Hospitals led patients and their families into underground shelters, and nurses hurried to the bedside of those too ill to move. At one industrial complex, officials seized sensitive documents and ran underground.

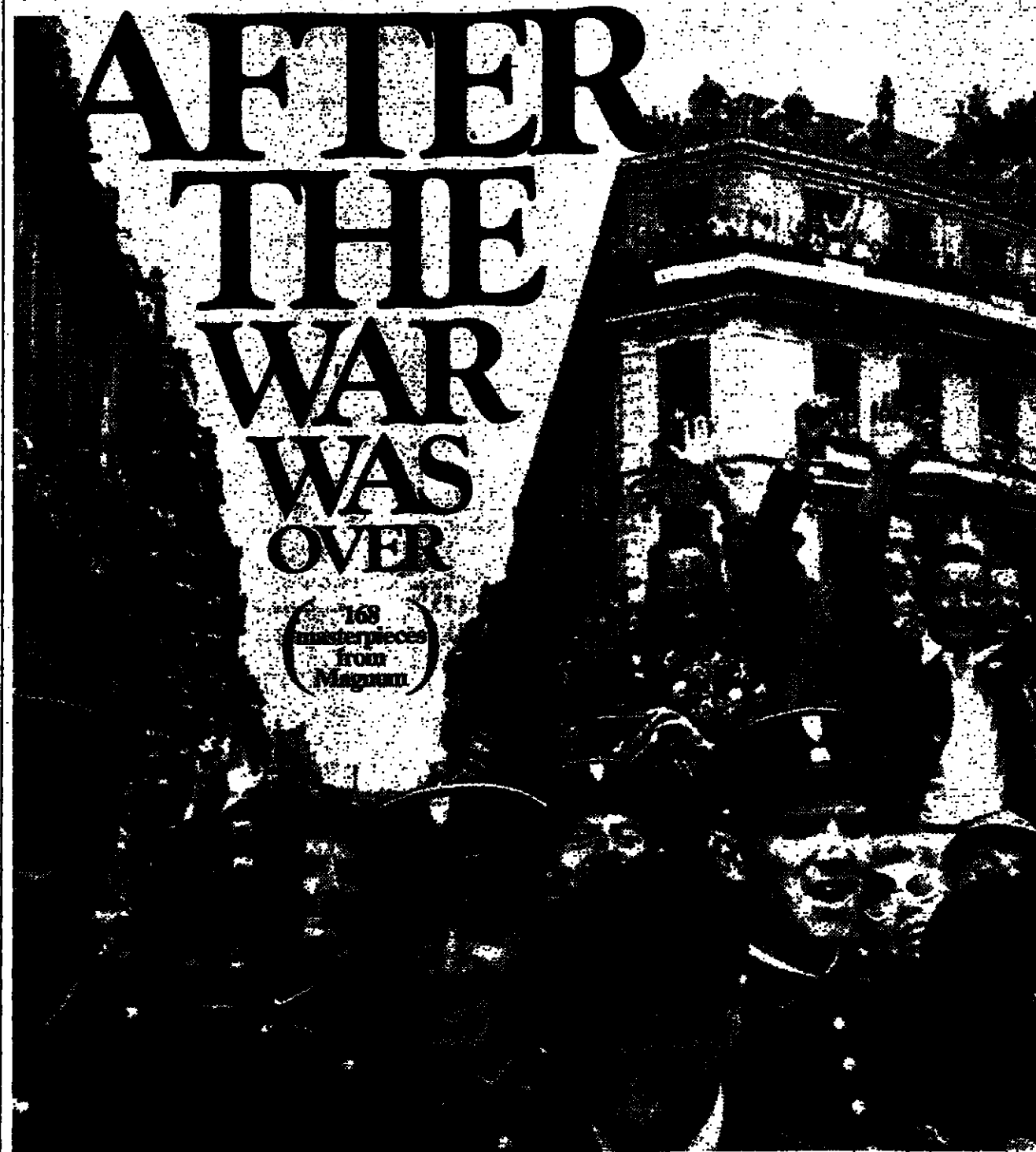
Traffic was snarled and telephone lines were jammed. The alert

ended after 14 minutes, and the city emerged again from underground.

In private conversations, many Koreans freely state their opinions forcefully. But at any gathering, there are lines to be drawn. South Korean security laws define standing on the state as a very serious offense, a criminal act that carries with it a stiff prison term.

The law, while a severe one, proved an unexpected boon to foreigners one recent evening. A group of friends were sitting at a discotheque capping off a long day with a few drinks. Unbidden, two women in very tight clothes came by and sat near the men in the group. After a few moments of desultory chatter, they proposed that the men leave with them for what they promised would be a memorable evening.

The men declined, but the women would not take no for an answer. Finally, one man leaned back, looked around and in a very loud voice made a very rude comment about South Korea's current president. The ladies of the evening scurried away to safer ground.



Robert Capa, Liberation of Paris, 1944 (below) David Seymour, Arturo Toscanini, 1954



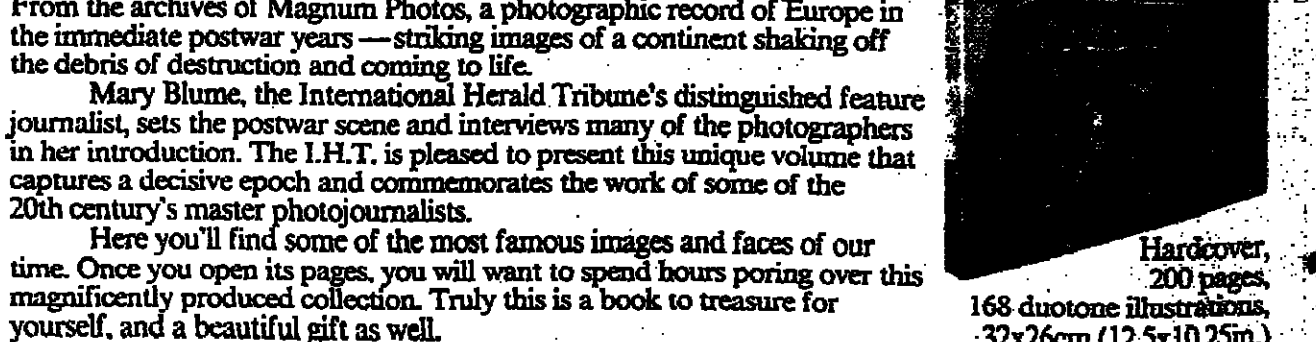
Henri Cartier-Bresson, The Ascot Train, Waterloo Station, London 1953



Robert Capa, The New Look, Paris 1947



Werner Bischof, In the ruins of Warsaw, 1947



Photographs by Robert Capa, Henri Cartier-Bresson, Elio Ertur, Ernst Hass, Erich Lessing, Inge Morath, Marc Riboud, David Seymour, and other Magnum photographers

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Herald Tribune

Palestinian Mayor on West Bank Is Assassinated

(Continued from Page 1)

question Israeli plans to nominate mayors in three other major West Bank towns — Ramallah, el-Bira and Hebron — and to restore Palestinian leadership for the first time since virtually all the territory's local mayors were deposed by the military government in 1982 and replaced by Israeli Army officers.

Some Palestinian political leaders predicted that a wave of fear would spread through the West Bank and Gaza Strip, and that potential appointees to mayoral posts would be unwilling to step forward.

However, Mr. Peres, speaking to the cabinet on Sunday, said that Mr. Masri's murder would not deter his government in its attempts to give Palestinians increased responsibility to administer their own affairs.

Both the PLO and Jordan tacitly approved Mr. Masri's appoint-

ment. Khalid Wazir, a top PLO commander based in Amman, said that the PLO was not involved in the killing. He said the murder only served the interest of opponents to Palestinian self-determination.

Mr. Masri's assassination came 11 days after King Hussein ended a joint effort with the PLO to reach a Middle East peace agreement with Israel, accusing Mr. Arafat of breaking his word and suggesting that local leaders in the West Bank seek ways to assert themselves in the quest for peace.

Mr. Peres said subsequently that he would begin a series of meetings with moderate Palestinians to revive the peace process.

He praised Mr. Masri's activities in Nablus since he was appointed mayor at the end of last year, saying that the assassination was "a blow to the residents of the territories and to whomever wishes to see

progress toward calm and understanding."

Although Mr. Peres said he hoped that a successor to Mr. Masri could be found, some Palestinian leaders said they wondered how many people would step forward in the face of a clear danger of becoming a target for extremist Palestinian groups.

Fathi Fahmawi, head of the Chamber of Commerce in Jenin, who has been attempting to organize a new municipal council in the northernmost West Bank city, said that Mr. Masri's death would hamper efforts to restore self-rule to Palestinians.

"If they killed Zafir Masri, they can kill others," Mr. Fahmawi said. "There is fear which will have an effect on others. The fear is spreading."

Former Mayor Bassam Shaka, who was deposed in March 1982,

two years after both his legs were blown off by a car bomb placed by Jewish settlers, suggested that the Israeli occupation authorities were indirectly responsible because they had encouraged divisions among Palestinians by appointing Mr. Masri as mayor.

Mr. Shaka, who bitterly opposed the appointment on the ground that it would prolong occupation of the West Bank, said: "I opposed it on principle because from the beginning we always had elected councils. This has strengthened my opinion that Israel never accepted the results of a democratic election and encouraged splits among Palestinians. They led everybody to fight for nothing."

The U.S. consul-general in Jerusalem, Morris Draper, said, "A bright light has been extinguished in a loathsome act of violence."

Handwritten text in Arabic script.

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Sudden Grief for Sweden

Another important bit of freedom has been killed. Olof Palme, the prime minister of Sweden, was shot as he walked home from a movie with his wife. He had sent his two bodyguards home early. Before pulling the trigger, his assassin stopped to talk to him as was the habit of many Swedes.

Harry Truman's early morning walks and sidewalk interviews are a distant memory. American presidents and even ambassadors stopped walking the streets long ago. Uniformed police carrying submachine guns are a fixture in Paris streets. The London bobby ceased long ago to be a jovial, unarmed father figure. In Italy, where political life once was as free and open as in Sweden, armor-plated cars became standard equipment for ministers eight years ago when the Red Brigades kidnapped and then killed the former prime minister, Aldo Moro.

In an age of violence and terrorism, when democracies find they can assure the lives of their leaders only by keeping them behind protective shields far from the people, Mr. Palme was one of the last of a dwindling group of statesmen who continued to live an open life and mingle with citizens and voters. For this reason alone — and there are many other reasons to mourn him — his death has come as such a shock to so many people far beyond the borders of his small neutral country.

Mr. Palme commanded respect, but he was not universally loved and did not aspire to be. Many of his policies were controversial. He loved sharp debates and often won them. Quick-witted and contentious, he provoked strongly felt opposition. But he had firm ideals and his motives were rarely questioned. An internationalist, he was aggressive in his neutralism, in his criticism of the United States at the time of the war in Vietnam, in his efforts over nuclear disarmament and in his search for ways to reduce poverty in the Third World.

Sweden's sudden grief is comparable to the mourning of Americans over President John F. Kennedy's death. The shock has been doubly deep because the country's public life has been so free of violence and its democracy so secure. There are not many high-minded and disinterested neutral statesmen who are fighting for their ideals with the energy and authority of Mr. Palme.

Other Swedes before Mr. Palme have been towering figures on the international scene. Dag Hammarskjöld, the United Nations secretary-general who also died a violent death, was one of them. Many people around the world must be hoping that the small country will continue in its tradition of active, and even provocative, humanitarian neutralism.

INTERNATIONAL HERALD TRIBUNE

Manila: The Morning After

Insolvency and insurgency are the predatory vultures that most immediately menace the new democratic regime in the Philippines. President Corason Aquino's first moves to assemble a cabinet suggest pragmatism and magnanimity. If her team can begin to mend a shattered economy and spread the benefits fairly it will be worth 10 divisions in combating Communist guerrillas. And at the margins, her task can be made easier by American help.

Much of the rot is directly attributable to the profligacy of the deposed president, Ferdinand E. Marcos. To buy votes and votes in the rigged Feb. 7 election, he squandered as much as \$500 million. This may well assure a third consecutive year of negative growth, meaning that Filipinos face at least a 15 percent decline in real income since 1983. The less visible effect of his final years was a ruinous capital flight, perhaps as much as \$10 billion.

Simply by restoring stability and hope, the Aquino team can lure back some of that departed wealth. Without spending a penny, her new regime can rid the country of "crony capitalism" — the marketing monopolies that enriched the Marcos clique. And with luck, Mrs. Aquino's political honeymoon can gain the public's indulgence until the economy shows signs of growing again.

Some leeway is certain as Filipinos come to realize how much is beyond their government's gift. No amount of Aquino charisma can raise world prices for sugar and coconuts, or bridge the chasm between rich and poor in a society governed until now by a narrow-based elite. Nor can good intentions alone curb the surge in inflation, spur exports and pay the interest on \$25 billion owed to foreign creditors. Having abetted the democratic takeover, Americans need to think about ways to avert a

crash landing. This does not have to be vastly expensive. It should be possible, for example, to step up disbursements of pending aid, to waive "buy American" requirements that prevent investment guarantees. Given a realistic economic strategy in Manila, Washington could certainly plead its case when the time comes for a growth-oriented restructuring of the Philippine foreign debt.

In vital respects, the Philippine case is different from that of other debtors. In its desperation two years ago, the Marcos regime accepted the International Monetary Fund's austerity conditions. With a modicum of lender confidence, the Aquino regime can still capitalize on past discipline.

What could add to confidence is some success in containing a Maoist insurgency. Mrs. Aquino has stolen the clothes of protest, and without violence, leaving the New People's Army the hard task of trying to prove that she is merely America's choice to succeed the "U.S.-Marcos dictatorship."

No doubt the rebels will regroup and find fresh reasons for terror against local officials. An insurgency that had grown to perhaps 30,000 soldiers will not quickly collapse. But with the flight of Mr. Marcos, the guerrillas lost their best recruiting agent.

It will not be easy to whip up hatred against a woman who frees political prisoners and offers amnesty even to her armed opponents. If her team can root the incompetents and the corrupt out of the army, respect human rights and reach out from the palace to the slums, the Communists will face a formidable environment. The good news from Manila is that the bad news finally appears manageable.

— THE NEW YORK TIMES

Other Opinion

The Challenge to Mubarak

The widespread rioting by security units is indicative of the threat to stability that President Hosni Mubarak's regime is likely to continue to confront. The cause of the rampage is said to have been a rumor that conscripts in the miserably paid police forces would have their term of service extended. The more potent and enduring underlying cause is mounting frustration over the feeble and worsening state of Egypt's economy.

Gross inefficiencies, widespread corruption, bureaucratic bumbling and dubious allocations of resources all contribute to a chronic economic malaise. Add to that a birth rate that is one of the highest in the world and that each year puts further strains on social services never regarded as adequate. Add to that the insoluble natural constraints of the Nile that limit agricultural production to only 3 percent of the land. Add, finally, problems more recent in origin. Falling oil prices and a commensurate cut in production have slashed foreign-exchange earnings. Thousands of skilled workers posted in Arab oil-producing nations have

had to come home to a country where jobs are scarce, compensation poor and living conditions at best difficult.

— Los Angeles Times

At the risk of being unsuitable, one could stop briefly in the search for causes of the Egyptian mutiny at the point where tourist alliance meets indigenous poverty. The Holiday Inn and Jolie Ville Hotel may have been burned down because they represent a couple of weeks' luxury to which the rebellious police conscripts cannot aspire in a lifetime. Rather, the effects of this challenge to Mr. Mubarak's rule are likely to be long lived. Egyptians would not be the only loser — so would the Mideast region — if the challenge succeeded.

— The Guardian (London)

President Mubarak cannot count any longer on the central forces of law and order. The Egyptian leader must now tackle the Islamic problem. If the responsibility for the mutiny is not established on the part of Islamic extremists, their influence is nevertheless clear.

— Le Monde (Paris)

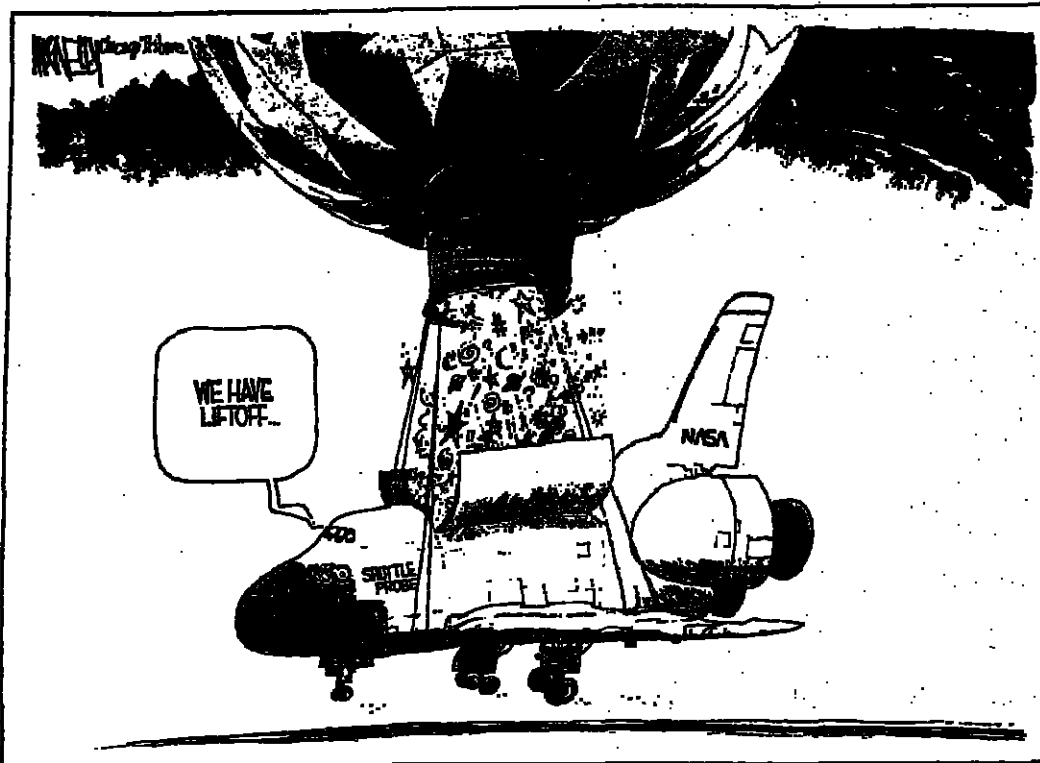
FROM OUR MARCH 3 PAGES, 75 AND 50 YEARS AGO

1911: African Animals for America

NEW YORK — A novel game expedition starts for East Africa this week for the purpose of capturing wild animals. It is proposed to transport the animals and turn them loose on the plains of the South-west and the ranges of the Rocky Mountains, where, it is hoped, they will breed. Ample capital has been provided, and it is planned to send the dicker and the eland, the smallest and the largest members of the deer family, to the Arizona plains, the klipspringer to the Rockies and the waterbuck and the redbuck to the swamps of Louisiana and Texas. Congress and several State legislatures will be requested to enact laws proclaiming a closed season for fifteen years in order to give the newcomers time to multiply.

1936: Back to Gold Coins for France?

PARIS — Discussion of whether gold should be coined and once more distributed to the public in exchange for notes has inspired a newspaper study of the situation. This question conjures up visions of happy pre-war days when men were never tormented by fears lest banknote values melt away. They knew they could always exchange their notes for gold. The question was answered in the affirmative by the French stabilization law of 1928, providing for 100-franc gold coins. Nearly a billion of them have been struck by the Mint. But as yet they have found their way into nobody's pockets. These facts are recalled in an article in "L'Intransigeant," which proposes to take a referendum among its readers on the question.



To Win Electoral Game, Mitterrand Changes Rules

By William Pfaff

PARIS — Whoever wins the French parliamentary election that takes place on March 16, a chapter in the political life of France will have closed. That period of solid and direct government and responsible politics, opened by General Charles de Gaulle's return to power in 1958 and the subsequent proclamation of the constitution of the Fifth Republic, will be over.

The Fifth Republic's constitution had three key elements: a powerful presidency, a prime minister and cabinet ultimately accountable to the president but able to act independently, and direct two-stage elections, permitting people to vote with their emotions in the first round and their common sense in the second.

The innovative combination of parliamentarism and presidentialism systems produced the most stable and effective governments modern France had ever known. The system was criticized as made to the measure of a particular and formidable individual, and as posing a permanent threat of divided power if a president, elected for seven years, were to confront a parliament, elected for five years, opposed to his policies.

That is what now is in prospect. President François Mitterrand expects this month to face a new parliament dominated by his conservative opponents. As a result he has taken a series of precautionary measures that already have markedly altered the

quality of the country's political life.

The voting system has been changed to one of proportional representation, with a single voting day, thereby increasing the weight of marginal parties and reducing the sanctions on irresponsible behavior by the major parties. The purpose is to multiply Mr. Mitterrand's opportunities for maneuver and coalition in a

the opponent out of power, simply because he or she is the opponent.

There is also a French taste for dramatic, unexpected actions — coups — which catch the opponent off-guard. De Gaulle was a man of courage. So is Mr. Mitterrand. De Gaulle's concerned resistance to Nazi occupation, war and peace in Algeria, decolonization, the restoration of

François Mitterrand is recreating the system of the Fourth Republic within the framework of the Fifth.

the parliament. Two new television networks have suddenly been set up under the control of Mr. Mitterrand's supporters. Friends have been named to influential positions.

There has been in France an insidious tendency toward perversely destructive political conduct, a spitefulness of which Albert Camus said: "I know only too well what it has cost us and still costs us. For the past 20 years, the French have loathed their political opponent to the point of preferring anything to him, even foreign dictatorship."

Camus was writing in 1958 about the war in Algeria. Things are hardly so serious now. Yet the spitefulness persists, the willingness to do anything — almost anything — to keep

France's power and prestige. Mr. Mitterrand's recently have concerned how to preserve his own and his party's power after mid-March.

What he has done suits his taste and temperament as well as serving his advantage. His career has been that of a supple and secretive maneuverer, a man of parliamentary deals and coalitions and changing alliances. He began his political life in the Vichy government, moved on to the Resistance, and after the war he was right-of-center. His conversion to socialism came only 15 years ago, when the Socialist Party was in grave decline and was open to takeover.

Mr. Mitterrand has accomplished great things. He has legitimated a left whose previous experience in 20th-

Mrs. Aquino Inherits A Decayed Economy

By Hobart Rowen

WASHINGTON — It would be difficult to exaggerate the enormity of the economic reconstruction task facing Corason Aquino as she takes over the Philippine presidency. During the past two years, the economy has been in a state of crisis and decay, as the confidence that investors once had in the Marcos regime has evaporated.

After a decline of 4.5 percent in real growth in 1984, there was a further drop of around 4 percent last year. A slump of that magnitude, combined with an annual population growth of about 2.5 percent, means that the gross national product per capita suffered a two-year decline of an incredible 15 percent. The combined full-time and part-time unem-

ployment rate probably approaches 30 percent of the work force.

Where other Asian countries survived the crisis caused by ten-fold increases in oil prices, complicated by soaring high interest rates, the Marcos regime after 1979 underestimated the depth of the ensuing world recession and embarked on a poorly designed program of public investment that created industries unable to compete in world markets.

What makes the two-year stretch even worse is the harsh reality that the Philippines was a poor country to begin with, with not much room — except for the wealthy and privileged class that enjoyed the dictatorship of Ferdinand E. Marcos — for income to adjust downward.

I will never forget a 1976 visit to Tondo, one of Manila's many slums, and the contrast with the posh show Mr. Marcos put on for the annual meeting of the World Bank and International Monetary Fund. Some 175,000 Tondo slum-dwellers then lived in abject poverty, 30 minutes from the luxury hotels reportedly owned by Imelda Marcos. The depths of human degradation — and the harassment of those who courageously brought Tondo to the world's attention — could not be covered up.

Tondo and other slums are likely to be there, not much changed, for years to come. But the difference, as Mrs. Aquino said, is that "the long agony is over." With the promise of a new democratic regime and a little luck, the Philippines should regain the confidence and the goodwill of the international lending community.

Many business leaders believe that there is enormous potential that has never been tapped in the Philippines. There exist the resources, both human and physical, for the Philippines to do as well as some of the "New Japans," once released from the corruption that drained the country for the past 20 years under Mr. Marcos.

For a long period in the 1970s, there was good economic growth, averaging around 6 percent a year, while agricultural blossomed, a self-sufficiency was generated in rice, and both electronics and textile exports boomed. But much of the population did not benefit from the high growth.

Along with the second oil shock in 1979, the country was hit by sharp drops in commodity prices, and by severe drought in 1982. Even so, Mr. Marcos might have managed, had he not decided to stifle the political opposition. Soon after Benigno Aquino's assassination in August, 1983, in which Mr. Marcos's hand was never proven, foreign banks stopped lending money, a flight of capital already under way accelerated, and monetary reserves dwindled. With a few desperate exceptions, Mr. Marcos refused to declare a moratorium on a \$26-billion foreign debt.

In December 1984, after protracted negotiations, the International Monetary Fund agreed to lend Mr. Marcos about \$625 million, of which about \$405 million has been drawn. The price of the IMF loan was an additional layer of austerity. This brought down the inflation rate from the 50-60 percent range to 5 or 6 percent, but also contributed to the 1984-85 crunch that cost jobs and economic growth.

Despite the "success" of the IMF program, the Philippines debt remains at about the same level, the interest on which requires about one-third of the Philippines' export earnings. Commercial banks last year agreed on a rescheduling of debt through the end of 1986, a process that bankers now will likely be more than eager to extend to Mrs. Aquino.

The future IMF and World Bank roles are likely to be critical for Mrs. Aquino's success. The World Bank has 35 or 36 major projects in the Philippines, and total outstanding loans of about \$3 billion. The country is on the so-called "Baker Initiative list" — one of 15 countries for which leading was to be have been increased and accelerated.

A premise of Treasury Secretary James A. Baker 3d's initiative is that a troubled country getting additional help must change its economic policies, getting in line with those of democratic, market-oriented nations.

In that connection, the American labor movement will be watching anxiously to see whether a free-labor movement can arise from the ashes of the Marcos dictatorship. American union leaders, upset with the loss of jobs to southern Korea and the Philippines, point out that under Mr. Marcos nearly all strikes were suppressed. Unbacking labor can give a new impetus both to the new democratic spirit Mrs. Aquino symbolizes, and to the recovery so desperately needed.

The Washington Post

Gulf War: A New, More Complex Phase Has Begun

By Drew Middleton

WASHINGTON — After two weeks' fighting sparked by two widely separated Iranian offensives, the Gulf war seems no closer to an end than it was a month ago.

The second Iranian thrust took an undisclosed number of troops into northeastern Iraq where the invaders have occupied a considerable amount of real estate, but do not seem to have dealt any punishing blows to the defenders. The real danger to Iraq is that the Iranian force will push westward toward Kirkuk, the center of Iraq's active oil industry.

Further south the well-advised taking of the Iraqi port of Faw on the Gulf has not brought the dividends the Iraqis expected. Their force there, although its morale remains high, is being subjected to heavy bombing by the Iraqi air force and by its supply lines are being cut.

The Iraqis, however, have failed to halt Iranian efforts to build a causeway across Abadan Island and the Shatt-al-Arab waterway to Faw. Should the invaders succeed, then the 30,000 Iraqis in the bridgehead will get the supplies they need and Faw will become a major staging area for a push on the port city of Basra, a key objective but one that is heavily defended on all sides.

This is the present war situation in broad outline. Neither side normally permits neutral military attaches or reporters to visit the front.

Two offstage situations are likely to affect military operations; one political and the other economic. Intelligence organizations in the West have recently been paying more attention to the National Council of Resistance of Iran, which appears to be expanding the insurgency against Ayatollah Ruhollah Khomeini's government.

The council has been labeled as "terrorist" by some in Washington and, of course, its claims must be viewed with skepticism. Nonetheless, there is considerable neutral support for the insurgents' claim that in the past 12 months they have staged 200 demonstrations against the war, which means against the Khomeini government carrying on the war. There is also evidence that those demonstrations caught were tortured and executed. The National Council puts the figure at 50,000 executed and claims that the Khomeini government has executed 140,000 civilians since the start of the war in September 1980.

Intellectuals, merchants and bazaar workers are described as being very active in the insurgency. National Council sources also claim that

more than 30 percent of the movement are women, not surprising considering the Khomeini regime's fundamentalist Islamic strictures which relegate women to an inferior role in society.

The resistance, led by National Council chairman Masoud Rajavi, claims that it is active at 200 military bases in Iran and that it has won the allegiance of thousands of soldiers and airmen who joined the services under the shah.

Such claims cannot be proved. Western intelligence sources point out, however, that soon after the war with Iraq began, the Khomeini regime began to form the Revolutionary Guards. This was interpreted as an attempt to assemble military units whose loyalty to Ayatollah Khomeini would never be questioned.

"It didn't matter whether they were good soldiers or not," a Western military expert on the war said, "as long as they followed Khomeini and his mullahs blindly."

How are we to assess the National Council? Those who remember World War II will recall the glowing propaganda spewed out in London about various resistance groups. When the Allies invaded Normandy and later swept across France and Belgium, they found that resistance help was minimal at best.

The most that can be said about Iranian resistance is that it does exist, that it is getting increased support — especially from the Arab

world that fears a Khomeini victory — and that it is simply fighting, mostly from Iranian sources. The resistance, consequently, must be considered a factor in the war situation, which is bound to become more complex during this year.

Then there is the economic factor: Despite the victory at Faw and the spectacle of Iranian troops rampaging about in northern Iraq, Tehran's leaders must accept that their oil exports have been cut to around 800,000 barrels a day as a result of the Iraqi air force's attacks on the Kharg Island terminal and the important pumping station located at Ganavah.

Iraq's oil exports, in contrast, are now up to 1.7 million barrels a day and by agreement Kuwait and Saudi Arabia sell 350,000 barrels a day in Iraq's name — an indication of the Arab gulf states' continued support of Iraq in this war.

It is reasonably certain that the war has entered a new and more complex phase. Iran appears willing to take major losses in new offensives. Iraq, because of the enemy's numerical superiority, must adopt a defensive strategy, one that has, thus far, been successful. But the resistance, a political element, and oil sales, an economic factor, are now in the picture.

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BY BEN IN Süddeutsche Zeitung (Munich), CARL SINDERS

America Is Walking a Tightrope Over the Aegean

By Andriana Ierodiaconou

This is the second of two articles.

ATHENS — The March visit to Greece and Turkey by Secretary of State George P. Shultz comes at a time of increased Soviet activity in the politics of the region.

Moscow provoked surprise and anxiety in Washington in January when it unveiled a set of comprehensive proposals for solving the Cyprus problem, the single most important source of friction between Greece and its neighbor, Turkey.

The Soviet move challenged, as Moscow fully intended it should, the central role which the United States has been playing in efforts by the United Nations to end the 11-year military occupation of northern Cyprus by Turkey. For while stressing that it is taking its lead from Javier Pérez de Cuellar, the United Nations secretary-general, America has been the most important behind-the-scenes player in the conflict.

Like the United Nations, the Soviet Union is anxious to prevent the permanent partition of the island between Greece and Turkey, both members of the North Atlantic Treaty Organization. However, Moscow would prefer a nonaligned Cyprus. But the island's proximity to Medi-

terranean trouble spots such as Libya and Lebanon, combined with the presence on its soil of two British military bases, make Cyprus strategically important to the West. The prospect of active Soviet involvement

ing to place most of their hopes for a breakthrough with Raul Denktash, the leader of the Turkish Cypriots, on Washington and on Mr. Shultz's visit to Athens in particular.

One subject Mr. Shultz is expected

The United States feels that active involvement in the dispute over Cyprus would risk alienating one side.

in a Cyprus settlement is therefore viewed as anathema by America.

During his visit to Athens, Mr. Shultz will have a chance to neutralize the Soviet initiative, and thereby consolidate the role of the United States. But whether he will take this opportunity remains to be seen.

Although both the Greek government of President Constantine Karamanlis and the Greek Cypriot government of President Spyros Kyprianou have hailed the Soviet proposals as a constructive step, Greek-Cypriot officials are contin-

to discuss in Athens is Greece's poor relations with Turkey and the destabilizing influence this has on NATO's southeastern flank.

The United States is understood to be particularly concerned about Greece's continuing boycott of alliance exercises in the Aegean. Since 1982, Greece has refused to take part in the exercises because of NATO's reluctance to include the Greek island of Lemnos, off Turkey's north-west coast, in the maneuvers. Turkey has protested that Lemnos has been militarized in contravention of the

Lausanne treaty negotiated in 1922. The Greek government has expressly linked the start of a dialogue with Ankara on resolving bilateral disputes in the Aegean to progress on the Cyprus problem. Greek Cypriots argue that the best way for Mr. Shultz to achieve the desired Greek-Turkish détente would be to take firm and decisive action to settle the Cyprus problem by bringing his influence to bear on the Turkish side.

Mr. Shultz could take on the role of broker, but this would involve America in a web of Turkish-Cypriot disputes, not just the Cyprus question. Alternatively, Mr. Shultz could follow Washington's strategy to date, which is that Athens and Ankara must be encouraged to solve what are essentially bilateral quarrels on their own. This is the more likely course for Mr. Shultz. America feels that active involvement in the dispute would risk alienating one side.

If he follows the second option, Mr. Shultz can be fairly certain of making no enemies, or at least no new ones beyond those who already exist on both sides. But he can also be certain of making no new friends.

International Herald Tribune

LETTER

Monument to Democracy

In response to the editorial "Advice on Lady Liberty" (Feb. 17):

As someone who made a contribution to the Statue of Liberty, I definitely support any commercialization of Ellis Island by converting it into a culinary coliseum of ethnic foods — with pizzas, waffles, croissants and so forth.

Surely the descendants of the tired, poor and tempest-tossed would like to commemorate democracy, for which they struggled and made sacrifices, by something more dignified and ennobling than the stomach to be filled and dry throat to be wetted with beer and wine.

Why not make Ellis Island the Pantheon of democracy? It is here that one can see democracy stand impregnable, immovable in her New World.

ARPAID KARAKAY

Last Week		All figures are in U.S. dollars	
Index	1985	1986	% Chg.
D.J.A.	100.00	100.00	0.00
NYSE	100.00	100.00	0.00
AMEX	100.00	100.00	0.00
FTSE	100.00	100.00	0.00
Nikkei	100.00	100.00	0.00
DAX	100.00	100.00	0.00
IBEX	100.00	100.00	0.00
SEAX	100.00	100.00	0.00
OMX	100.00	100.00	0.00
PSX	100.00	100.00	0.00
VLAX	100.00	100.00	0.00
BOVL	100.00	100.00	0.00
STOXX	100.00	100.00	0.00
EURO	100.00	100.00	0.00
ASAX	100.00	100.00	0.00
OSAX	100.00	100.00	0.00
WVAX	100.00	100.00	0.00
BRAX	100.00	100.00	0.00
FXAX	100.00	100.00	0.00
NYSE	100.00	100.00	0.00
AMEX	100.00	100.00	0.00
FTSE	100.00	100.00	0.00
Nikkei	100.00	100.00	0.00
DAX	100.00	100.00	0.00
IBEX	100.00	100.00	0.00
SEAX	100.00	100.00	0.00
OMX	100.00	100.00	0.00
PSX	100.00	100.00	0.00
VLAX	100.00	100.00	0.00
BOVL	100.00	100.00	0.00
STOXX	100.00	100.00	0.00
EURO	100.00	100.00	0.00
ASAX	100.00	100.00	0.00
OSAX	100.00	100.00	0.00
WVAX	100.00	100.00	0.00
BRAX	100.00	100.00	0.00
FXAX	100.00	100.00	0.00

EUROBONDS

By CARL GEWIRTZ

over, Sweden, sold at 20 over, finished the week at 30 over. Eurobond dealers were delighted to take on inventory at these spreads, confident they would be able to unload the paper at a big profit. But the scope of the rally in New York and the lag of

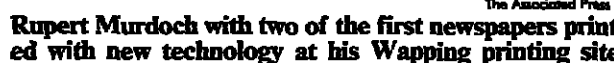
(Continued on Page 11, Col. 1)

By Sam Jameson

JNR has annual revenues of \$16.7 billion. Lines in remote areas, forced on it by parliament over the years, have produced operating deficits of up to \$9.3 billion a year.

By Joseph Lelyveld

GM and Ford both have extensive international interests. Chrysler Corp., the third largest U.S. automaker, is less active outside North America.



A few years ago, Europe was Ford's major profit center. Annual earnings there ran as high as \$1 billion even as, at home, losses were

The Associated Press

Note to shareholders
U.S. TREASURY

The Board of Directors of Eurofund

Review

Shareholders of INCOME FUND

By Richard Walker

A few years ago, Europe was Ford's major profit center. Annual earnings there ran as high as \$1 billion even as, at home, losses were

All figures are as of close of trading Friday

Stock Indexes				Money Rates			
United States				United States			
	Last Wk.	Prev. Wk.	Chg%		Last Wk.	Prev. Wk.	
DJ Index	1709.16	1697.71	+0.67%	Discount rate	7 1/2	7 1/2	
S&P 500	165.63	165.52	+0.06%	Federal funds rate	7 1/2	7 1/2	
DJ Trans.	792.25	797.72	-0.69%	Prime rate	9 1/2	9 1/2	
S&P 100	217.57	217.57	Unch.	Japan			
S&P 300	228.92	224.62	+1.92%	Call money	4 1/2	4 1/2	
NASDAQ	130.74	129.41	+1.03%	60-day Interbank	5 15/16	5 15/16	
Britain				West Germany			
FTSE 100	1523.90	1612.20	+2.03%	Lombard	5.50	5.50	
FT 30	1447.40	1249.40	+2.24%	Overnight	5.50	5.60	
				1-month Interbank	4.20	4.20	
Hong Kong				Britain			
Hong Seng	1695.30	1747.10	-3.04%	Bank base rate	12 1/2	12 1/2	
				Call money	11 15/16	12 1/2	
Hong Kong				3-month Interbank	11 31/32	12 1/2	
Nikkei 225	13440.83	13049.30	+1.84%	Dollar	Last Wk.	Prev. Wk.	Chg%
Commodity	9742.70	9768.70	-2.84%	BK Engel Index	N/A.	118.90	N/A.
West Germany				Gold			
DAX 100	2492.00	2492.00	Unch.	London pur. fix.	338.15	338.00	+0.04%

[illegible]

Other Dollar Values

CURRENCY EXCHANGE RATES			
Currency per U.S.\$	Currency per U.S.\$	Currency per U.S.\$	Currency per U.S.\$
Argen. austral	0.80	Fla. moroc.	460.00
Austral.	1.4327	Greek drac.	7.21
Aust. sch.	13.57	Hong Kong \$	7.9915
Ban. de Ind.	45.82	Indian rupee	13.21
Brazil cru.	13,690.00	Irish lire	12.26
Canadian \$	1.4025	Italian lire	0.7334
Chinese yuan	2.0079	Jav. gild.	1.0935
Chinese yuan	8.19	Kor. w. (old)	0.2841
		Kor. w. (new)	2.494
		Mal. pen.	165.50
		Mex. peso	16.50
		Neth. gild.	3.6515
		Nor. krone	21.25
		Phil. peso	21.496
		Port. escudo	200.48
		Roman. lei	1.2496
		S. Afr. rand	1.9674
		S. Kor. won	888.29
		Swed. krona	4.633
		Swiss franc	7.403
		Taiwan \$	26.332
		Thai baht	20.339
		Turkish lira	3.5678
		U.S. dollar	50.00
		Venez. boliv.	18.9

The Associated Press

7. Any other business which may be properly brought before the Meeting.

The Board of Directors

PUTNAM HIGH INCOME GNMA FUND S.A.

Société Anonyme
43, boulevard Royal, Luxembourg
R.C. Luxembourg B 22.041

Notice of Meeting

7. Any other business which may be properly brought before the Meeting.

The Board of Directors

This announcement appears as a matter of record only.

HunterDouglas

Hunter Douglas N.V.

Rotterdam, The Netherlands

Dfls 50,000,000
7% Bearer Notes 1986 due 1991

Algemene Bank Nederland N.V.

Amsterdam, Rotterdam, Bank N.V.

Bank Mees & Hone NV

Nederlandsche Middenstandsbank nv

Pierson, Heldring & Pierson N.V.

Credit Suisse First Boston Limited

Swiss Bank Corporation International Limited

Nederlandsche Middenstandsbank nv

February 1986

[illegible]

AUSTRALIA														
dm 100	Australia	7	10 Feb	1037%	2.11	3.12	6.28	dm 100	Denmark	7	10 Feb	101	5.2	5.50
dm 100	Australia Pn	7	10 Oct	1037%	7.93		6.21	dm 100	Denmark	7	10 Mar	101	5.2	5.50
dm 100	Australia Pn	7	10 Sep	1037%	7.93		6.21	dm 100	Denmark	7	10 Apr	104%	5.2	5.50
dm 100	Australia Pn	7	10 Sep	1037%	5.54	5.44	5.71	dm 100	Denmark	7	10 Apr	104%	5.2	5.50
dm 100	Australia Pn	7	10 Nov	100	5.2	5.21	5.71	dm 100	Denmark Pn	7	10 Apr	104%	5.2	5.50
dm 100	Australia Pn	7	10 Nov	100	5.2	5.21	5.71	dm 100	Denmark	7	10 May	104%	5.2	5.50
dm 100	Australia Pn	7	10 Nov	100	5.2	5.21	5.71	dm 100	Denmark	7	10 May	104%	5.2	5.50

[illegible][illegible][illegible][illegible]

CBS	Canadian Dollar	SDR	Special Drawing Right
ECU	European Currency Unit	Y	Yen
US\$	European Unit of Account	FR	French Franc
L	Pound Sterling	FF	French Franc
DM	Deutsche Mark		

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مكة الميلا

New Eurobond Issues

Compiled by Laurence Desvillettes from information supplied by European bond traders.

Issuer	Amount (millions)	Mat.	Coup. %	Price	end week	Terms
FLOATING RATE NOTES						
Banque d'Arbitrage de Trésorerie et d'Instruments Financiers	\$100	1996	1/2	100	99.50	Over 6-month Libor. Noncallable. Also 100,000 warrants, priced at \$28 each, entitling holders to a minimum coupon of 8% if they finished the week at \$38. Fees 0.60%. Denominations \$10,000. Guaranteed by Thomson S.A.
Central European Int'l Bank	\$30	1996	3/16	100	—	Over 6-month Libor. Redeemable at par in 1992. Callable at par in 1988. Fees 0.40%.
Financière CSFB	\$150	perpet	1/2	100	99.60	Over 3-month Libor. Callable at par in 1991. Fees 0.60%.
Korea First Bank	\$50	1996	1/2	100	—	Over 6-month Libor. Redeemable at par in 1991 and 1992 and callable at par in 1991. Fees 1.00%. Denominations \$100,000.
FIXED-COUPON						
American Telephone & Telegraph	\$300	2016	9	98 1/4	96.75	Callable at 108 in 1991. Fees 2.00%.
Boyerische Vereinsbank-Overseas Finance	\$100	1996	8 1/2	100	97.75	Noncallable. Fees 2%.
Belgium	\$300	1991	8 1/2	101 1/2	99.75	Noncallable. Fees 1.00%. Denominations \$250,000.
Bergien Bank	\$100	1991	10	100 1/2	98.75	Coupon will be 10% in 1986, 9 1/2% in 1987, 9% in 1988, 7 1/2% in 1989 and 7 1/4% in 1990. Noncallable. Fees 1.00%.
Cargill	\$100	2016	9 1/4	100	97.75	Callable at par in 2006. Fees 2.00%.
Dai-ichi Kangyo Bank	\$150	1991	8 1/2	101 1/2	99.25	Noncallable. Fees 1.00%. Denominations \$10,000.
Japan Development Bank	\$50	1996	8 1/2	101	—	Noncallable. Fees 2%.
PepsiCo Capital Resources	\$100	1991	8 1/2	101 1/2	—	Noncallable. Fees 1.00%.
Qantas	\$97.75	1996	8 1/2	100 1/2	99.50	Noncallable. Fees 2%.
Trufoal House	\$100	1991	9	100	—	Noncallable. Fees 1.00%.
Asian Development Bank	DM 200	1996	6 1/4	99 1/2	100.38	Noncallable. Fees 2%.
Export-Import Bank of Korea	DM 100	1991	6 1/2	100	100.25	Noncallable. Fees 2%.
Philip Morris	DM 225	1996	6	100	99.50	Noncallable. Fees 2%.
Sweden	DM 300	1996	6 1/2	100	100.50	Noncallable. Fees 2.00%.
NEBSA	FF 500	1996	9 1/4	100 1/2	100.50	Callable at 101 in 1992. Fees 2%.
KB-Rima	DK 500	1993	9 1/4	101	100.75	Noncallable. Fees 1.00%.
Polysar	ECU 50	1993	9 1/2	open	99.00	Noncallable. Fees 1.00%. Price to be set March 5.
Montreal TrustCo	CS 50	1991	10	100 1/2	98.00	Noncallable. Fees 1.00%.
Scotia Mortgage	CS 100	1991	10	100 1/2	98.25	Noncallable. Fees 1.00%.
Seas Acceptance	CS 100	1993	10	100 1/2	98.38	Noncallable. Fees 2%.
Istituto Bancario San Paolo di Torino	NZ\$ 40	1989	19	100 1/2	—	Noncallable. Fees 1.00%.
European Investment Bank	Y 25,000	1996	6 1/2	101 1/2	100.25	Noncallable. Fees 1.00%.
Kawasaki Steel	Y 10,000	1993	6 1/4	101 1/2	98.25	Noncallable. Fees 1.00%.
Procter & Gamble	Y 25,000	1991	6	100	99.50	Noncallable. Fees 1.00%.
EQUITY-LINKED						
Aoki	\$100	1991	4 1/2	100	113.00	Noncallable. Each \$5,000 bond with one warrant exercisable into company's shares at 70¢ per share and at 182.15 yen per dollar. Fees 2.00%.
Hanwa	\$130	1991	open	100	106.50	Coupon indicated at 4 1/2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.00%. \$100 million issued in Europe and \$30 million in Asia. Terms to be set March 6.
Nippon Oil	\$150	1991	open	open	—	Coupon indicated at 4 1/2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.00%. Terms to be set March 6.
Pasco	\$40	1991	open	100	107.50	Coupon indicated at 4 1/2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.00%. Terms to be set March 5.
Renown	\$100	1991	open	100	105.00	Coupon indicated at 4 1/2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.00%. Terms to be set March 3.
Tokyo Construction	\$50	1991	open	100	109.50	Coupon indicated at 4 1/2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.00%. Terms to be set March 3.
Wells Int'l Finance	DM 130	1996	2 1/2	100	—	Noncallable. Each \$100,000 bond with two warrants exercisable into 6 Wells AG's shares at 720 marks each, a 1.4% discount. Fees 2.00%.
WARRANTS						
Banque Paribas Capital Markets	0.05	6 mos	—	ECU 21	—	Warrants exercisable at par into World Bank's ECU-denominated bond paying 8 1/2% and due 1995.
Den Norske Creditbank	0.10	1989	—	—	\$31	Warrants exercisable at par into a dollar-denominated noncallable bond paying 9 1/2% and due 1996.
Swedbank	0.10	12 mos	—	—	\$16	Warrants exercisable at par into an ABB-denominated bond paying 1 1/2% and due 1990. Exchange rate \$0.705 per A.S. Fees \$1.50.

Profit-Taking Moderates Bond Rally

By James Stremgold

NEW YORK — Profit-taking slashed gains late last week in the bond market, putting a slight damper on the roaring week-long rally.

The rally had continued at the opening Friday, with long-term issues rising more than a point in the first hour, before profit-taking set in. Bond prices were up only slightly for the session.

The extraordinary volatility

U.S. CREDIT MARKETS

caused some traders in the interest-rate futures markets in Chicago to move to the sidelines temporarily.

"It was a wild opening, totally out of control," said Robert Butcher, senior financial futures analyst at Refco Inc. in Chicago. "It seemed that the little trader was the one who really got his fingers burnt there this morning, as usual."

The sharp fluctuations in the futures pits followed an even more extraordinary session there on Thursday. For the first time ever, every Treasury bond future rose the 2-point limit. This triggered an increase in the limit to 3 points, effective Friday and for three days unless the limits are reached again, and a steep increase in margin requirements for bond futures trading.

Randolph Sides, a vice president and bond trader at First Boston Corp., said signs that oil prices might fall even further as well as a larger-than-expected U.S. merchandise-trade deficit in January helped give the bond market its initial push Friday morning.

"However, when you saw there wasn't the news to push it further, all the incentive was there to do some profit-taking, and people did," Mr. Sides said.

The gyrations still left long-term yields slightly lower, continuing one of the strongest, sustained bond market rallies in memory.

The highly active 30-year Treasury bond, the 9 1/2-year issue due in 2016, was offered late Friday at 110 27/32, up 10/32 for the day, for a yield of 8.27 percent, down from 8.29 percent on Thursday.

To give some sense of how powerfully the market pushed ahead last week, the yield on the 30-year bond was down last Friday from 8.70 the previous Friday. And the past week's rise came in spite of an unusually heavy supply of corporate bonds, some \$9 billion.

Once again, yields at the short-term end of the market remained virtually frozen.

The three-month Treasury bill was quoted at about 7 percent, unchanged for the day and up just a hair from 6.98 percent a week earlier.

U.S. Consumer Rates

For Week Ended Feb. 28

Passbook Savings	5.50 %
Time Deposits	6.75 %
Money Market Funds	7.34 %
Bank Money Market Accounts	6.69 %
Home Mortgage	11.48 %

SELECTED U.S./D.T.C. QUOTATIONS

	BID	ASK
Apollo Corp.	15 1/2	16
Mr. Gasket	8 1/2	8 3/4
Bitter Corp.	6	6 1/4
Modular	13 1/2	13 3/4
Rodime	11 1/2	12

WITH COMPLIMENTS OF
CONTINENTAL AMERICAN

NOTICE TO HOLDERS OF

ITO-YOKADO CO., LTD.

5% Convertible Debentures

Due August 31, 1995

5% Convertible Debentures

Due August 31, 1996

Pursuant to Section 3.04(d) of the Company's Indenture dated as of July 1, 1978 and July 1, 1982, respectively, relating to the above-mentioned debentures, notice is hereby given as follows:

1. The Company has made a free distribution of Common Stock to the holders of the above-mentioned debentures in accordance with the terms of the Indenture, as of February 28, 1986 in Japan, at the rate of 1 new share for each 10 shares held.

2. Accordingly, the conversion price at which the above-mentioned debentures may be converted into shares of Common Stock of the Company has been adjusted effective as of March 1, 1986, from 100 yen to 100 yen plus 1 share of Common Stock for every 100 yen of debentures.

3. The Company has also made a free distribution of Common Stock to the holders of the above-mentioned debentures in accordance with the terms of the Indenture, as of February 28, 1986 in Japan, at the rate of 1 new share for each 10 shares held.

4. The Company has also made a free distribution of Common Stock to the holders of the above-mentioned debentures in accordance with the terms of the Indenture, as of February 28, 1986 in Japan, at the rate of 1 new share for each 10 shares held.

5. The Company has also made a free distribution of Common Stock to the holders of the above-mentioned debentures in accordance with the terms of the Indenture, as of February 28, 1986 in Japan, at the rate of 1 new share for each 10 shares held.

6. The Company has also made a free distribution of Common Stock to the holders of the above-mentioned debentures in accordance with the terms of the Indenture, as of February 28, 1986 in Japan, at the rate of 1 new share for each 10 shares held.

7. The Company has also made a free distribution of Common Stock to the holders of the above-mentioned debentures in accordance with the terms of the Indenture, as of February 28, 1986 in Japan, at the rate of 1 new share for each 10 shares held.

8. The Company has also made a free distribution of Common Stock to the holders of the above-mentioned debentures in accordance with the terms of the Indenture, as of February 28, 1986 in Japan, at the rate of 1 new share for each 10 shares held.

9. The Company has also made a free distribution of Common Stock to the holders of the above-mentioned debentures in accordance with the terms of the Indenture, as of February 28, 1986 in Japan, at the rate of 1 new share for each 10 shares held.

10. The Company has also made a free distribution of Common Stock to the holders of the above-mentioned debentures in accordance with the terms of the Indenture, as of February 28, 1986 in Japan, at the rate of 1 new share for each 10 shares held.

11. The Company has also made a free distribution of Common Stock to the holders of the above-mentioned debentures in accordance with the terms of the Indenture, as of February 28, 1986 in Japan, at the rate of 1 new share for each 10 shares held.

12. The Company has also made a free distribution of Common Stock to the holders of the above-mentioned debentures in accordance with the terms of the Indenture, as of February 28, 1986 in Japan, at the rate of 1 new share for each 10 shares held.

13. The Company has also made a free distribution of Common Stock to the holders of the above-mentioned debentures in accordance with the terms of the Indenture, as of February 28, 1986 in Japan, at the rate of 1 new share for each 10 shares held.

Non-U.K. Banks Dominant in Hanson PLC Credit

By Carl Gewirtz

International Herald Tribune

PARIS — A £1-billion syndicated credit, billed as the largest yet put together for a U.K. company, was arranged last week for Hanson Trust PLC, the conglomerate that is bidding £2.4 billion in shares and cash to take over Imperial Group PLC.

The facility is aimed at providing backing for the cash element of the bid and would become drawn immediately if the offer is accepted. In that case, the seven-year loan would then go into general syndication as the nine banks currently underwriting the commitment would then be looking to sell subparticipations.

The underwriters, led by Chemical Bank, include Banque Paribas, Credit Lyonnais, Credit Suisse, Midland Bank, Samuel Montagu, Sumitomo Bank, Toronto-Dominion and Union Bank of Switzerland.

Imperial's board is opposing the bid and has agreed to rival merger terms with United Biscuits Holdings PLC. The outcome should be

known by mid-month. The prominent role played by foreign banks in providing the credit to Hanson is assumed to be linked to the contested nature of the bid and the reluctance of the U.K. banks to be seen taking sides.

The costs Hanson paid to arrange the credit were not revealed, although it was rumored that to draw the loan the company would pay an initial margin of 1/4-point over the interbank rate, rising later to a margin of 1/2 percent.

In the dollar market, a 27-bank syndicate led by Morgan Guaranty Trust has put together a \$500-million credit for the South Korean Exchange Bank.

The eight-year loan is divided into two segments: \$125 million with interest set at the prime rate of U.S. banks or a maximum of 95 basis points over the reserve-adjusted cost of 90-day certificates of deposit; \$375 million with interest set at 1/2-point over the London interbank offered rate for the first

two years and 3/4-point over thereafter.

Algeria has stirred controversy in the market by raising a \$300-million, 10-year loan with an all Japanese syndicate of banks. Algeria started out seeking a loan of \$500 million but was forced to reduce it when the potential non-Japanese lenders refused to go along with Algeria's insistence on having the loan for 10 years.

The other lenders were unwilling to go beyond eight years. Interest on the loan is set at 3/4-point over Libor.

The rebuffed European lenders resent what they call the muscle power of the Japanese banks in doing business at terms the Europeans reject and at the same time warn that Algeria is being "opportunistic." By soaking up a lot of the available Japanese credit in one loan, these bankers argue, the Algerians may be forced to pay more the next time they come to market when there will likely be fewer Japanese banks bidding for the business.

In the securities end of the credit

market, the London branches of two Japanese banks announced programs to issue certificates of deposit.

Yasuda Trust & Banking has arranged a \$500-million, five-year facility to back up the sale of one-to-six month CDs, which may be denominated in dollars, sterling or European currency units. This is not an underwritten facility, meaning the small group of dealers led by Chemical Bank will simply offer to market the paper, bearing a coupon of 3/4-point below Libor, on a best-efforts basis.

Mitsui Bank's \$150-million, five-year facility of CDs denominated in dollars is being underwritten. Mitsui is paying an annual facility fee of 6 1/4 basis points for the backstop and a front-end fee of 6 1/4 basis points.

A tender panel of banks providing the backstop will bid for the CDs and then market them. Paper taken by the banks will carry a maximum yield of Libor but if the backstop is drawn upon Mitsui will also pay utilization fees.

Latin Group Would Back Debt Cuts

By Keith Grant

Reuters

PUNTA DEL ESTE, Uruguay — Latin American debtor nations took a step toward easing their debt burden by indicating that it was permissible for a debtor country to reduce its interest payments if it thought the reduction was justified, according to officials.

The Cartagena group's five-nation monitoring committee ended a one-day meeting Saturday with an agreement to back countries that might take emergency steps to re-open existing debt accords because of lower revenues caused by plunging oil and commodity prices or other factors.

"Frankly, there has not been enough response from industrial nations," Uruguay's foreign minister, Enrique Iglesias, said.

He said that while Latin America wanted to work with creditors, the current decision went beyond earlier group decisions in establishing a process for member countries to renegotiate debts with strong regional backing.

Argentina's economy minister, Juan Sourrouille, said the group would support decisions by countries to reduce their interest payments unilaterally if it was considered beforehand.

A short communiqué issued after the meeting was seen as a sign of clear support for Mexico in its negotiations with banks and creditor nations on an emergency financial package.

"They came to us in search of endorsement for what they are planning, and this is exactly what they got," Mr. Iglesias said.

Mexico is expected to formalize a request for easier debt terms, possibly in an announcement by the finance minister, Jesus Silva Herzog, on Monday before further talks in Washington.

Officials of the 11-nation Cartagena group of Latin debtor countries said interest rates remained the focus of efforts to lessen Latin America's \$370-billion debt burden, around 60 percent of which is owed to commercial banks.

In Mexico's case, interest payments this year come to around \$10 billion against possible export income of less than \$9 billion. Oil normally accounts for about 65 percent of Mexico's exports.

Venezuela, which called the meeting jointly with Mexico, and pays about \$3 billion a year in interest or around 33 percent of exports, is looking at ways to reduce these payments, officials said.

Moves by Venezuela on interest rate cuts would complicate any notion that creditor nations might limit special case treatment to Mexico, which is not assured an easy passage in meeting its 1986 financing gap of up to \$9 billion.

"Right now the mood is not yet ripe in industrial countries for exceptional measures," Mr. Iglesias said.

"It is clear that the Baker plan

was overtaken by events and is not enough to deal with the crisis faced by Mexico and others," he added. The U.S.-sponsored plan, named after the U.S. Treasury secretary, James A. Baker 3d, proposed \$29 billion in new loans to 15 developing countries over three years. So far, the plan has not won a taker.

Mr. Iglesias said Latin America wanted to continue to work within the existing financial system, but that Peru's decision in December to limit debt payments unilaterally to 10 percent of exports was perfectly legitimate.

He did not say whether Peru's action would be followed by Mexico or other Latin American debtors, but said banks must play their part by agreeing to below-market rates in extreme cases.

This would not only require a change in attitude by banks but also a major contribution by regulatory authorities that Latin American officials said would be hard to achieve.

But they said the meeting had established a framework for debtor countries to press for better terms in consultation with other countries in the region, and to introduce contingency clauses in rescheduling agreements in the event of foreign exchange or fiscal crises.

The meeting included foreign and finance ministers from Argentina, Brazil, Colombia, Mexico and Venezuela.

Japan Tells U.S. It's Time to Join In Cutting Rates

Reuters

TOKYO — Japanese officials told U.S. officials during talks in Tokyo that Japan would welcome a concerted cut in interest rates, a Foreign Ministry spokesman said over the weekend.

"This is an opportune time for a reduction in interest rates," he said Saturday.

The two days of talks were led by the U.S. under secretary of state for economic affairs, W. Allen Wallis, and Japan's deputy foreign minister, Reiichi Teshima. Officials of the Bank of Japan and the Federal Reserve did not attend.

Mr. Wallis said the U.S. side told the Japanese that the United States expected steady economic growth. He reported that the Japanese had said their target of 4-percent growth for the year starting in April should be met, helped by lower oil prices.

However, the Foreign Ministry official said, the Japanese warned that the oil-price slump on current account by reducing the cost of imports. Current account is a broad measure of a country's trade position that covers trade in goods and services as well as remittances.

Record Rates Appear Moribund

(Continued from Page 9)

demand for dollar paper in Europe kept widening the spreads and appeared to exhaust the capacity of dealers to keep adding to their inventory.

In the new issue market, Belgium increased by \$50 million, to \$300 million, its offering of five-year notes bearing a coupon of 8 1/2 percent and priced at 101 1/4. This was its first fixed-coupon offering. Like Belgium's earlier floating-rate notes, the issue is denominated in large amounts and sold in registered form to reduce the likelihood of small Belgian investors buying the tax-free paper.

Late Friday, Dai-ichi Kangyo topped Belgium's low rate by offer-

ing \$150 million of five-year notes, also priced at 101 1/4, bearing a coupon of 8 1/2 percent.

Thirty-year bonds were issued by American Telephone & Telegraph, and Cargill. The AT&T paper is payable March 17, the same date on which it is calling the \$400 million of 14 1/2-percent notes of 1989 issued in 1982. The expectation is that investors who want to keep AT&T in their portfolio will make the switch. The new issue, offered at 98 1/4, carries a coupon of 9 percent and is callable after five years at a premium of 108.

If rates continue to drop and the 30-year bonds are called in 1991, investors would have earned a yield of 10 1/2 percent. The bonds ended the week at 96 1/4.

Cargill, a private company that has never registered an issue with the U.S. Securities and Exchange Commission, sold \$100 million at par bearing a coupon of 9 1/4 percent. This paper, callable after 20 years at par, ended the week at 97 1/4.

Bergien Bank pitched the terms on its \$100 million of five-year notes to appeal to portfolio managers looking to boost their current return. The coupon in the first year is set at 10 percent — a level not to be found anywhere. But in the second year the coupon drops to 8 1/2 percent, then to 8 percent in the third year, 7 1/2 percent in the fourth year and 7 1/4 percent in the final year.

The portfolio managers who bought the 10-percent notes will presumably have moved on to better, more lucrative jobs before waiting to see if interest rates have dropped.

For Bergien Bank, the sliding coupon means it will have paid about 40 basis points over current Treasury yields for its five-year money, a saving of about 25 basis points. The funds were swapped into floating rate money at an estimated 20 basis points below the London interbank offered rate.

EC Farm Spending Shoots Up As Result of Dollar's Decline

Reuters

BRUSSELS — The fall of the dollar has been hailed by European Community finance ministers, some of whom went on television in their countries last week to note the beneficial effect it would have on inflation and possibly on interest rates.

But at EC headquarters in Brussels, diplomats say the sharp drop of the U.S. currency threatens to destroy in months the effect of EC budget controls that were agreed upon after years of squabbling.

"At the heart of the problem is the Common Agricultural Policy, the EC's much-contested system of subsidies to the farm sector."

The executive Commission of the EC calculates that every drop of 1 percent in the value of the dollar costs the group between 75 million and 160 million European Currency Units (\$77.3 million and \$163 million) by pushing up the cost of its export refunds.

These export refunds are paid to

farmers to offset the loss of income from the fall of the dollar.

The 21.8-billion-ECU farm budget already accounts for 72 percent of the community's entire budget and the extra funds would break financial guidelines imposed less than 18 months ago. Their aim is to keep growth in farm spending within that of the overall budget.

The agriculture commissioner, Frans Andriessen, recently appealed for extra funds he said he needed in order to

OTC Consolidated trading for week ended Friday.

[illegible]

Figures as of close of trading Friday

ACC Hrs	20.09	NL	Direct burn/hrs	
Contractor			Burnh	21.46 Z
CoTFL	11.17	NL	Emm r	14.71
CoTFL	10.44	NL	Govt r unavail	
CoNT	11.63	NL	Gwin r	12.14
GNMA	10.48	NL	Dredges Gp:	
Amber Group:			A Bnd unavail	
100 Fd	39.48	NL	CoTt	15.15
101 Fd	14.78	NL	Drewl	12.86 L
CoTton Co:			GNMA	15.83
CoNap	31.87	NL	Instr Tn	18.36
Modl	11.75	NL	Levee	19.76 2
CoTFL	11.75	NL	GNCo	12.21
CoTFL	2.44	NL	mod Tn	14.38
CoTFL & Bear Gp:				

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(Continued on Page 13)

POSTCARD

British TV Facing Some Harsh Changes

By Brenda Maddox

- There is not enough advertising money to support all four channels and commercial local radio as well. The BBC could not attract sufficient advertising to give it the £1 billion a year it needs. The license fee would have to remain.
- The charge that the BBC is watched only by an elite does not stick. Viewers from all sections of the public, from all social and age groups, spend 40 percent of their viewing time watching programs considered "demanding," or of interest only to a small audience.

● If the BBC and ITV were competing for advertising money, they would compete for audiences. The range of programs would narrow, as neither side could afford to make programs of interest to a mere million or so viewers.

The BBC's very success in defeating the pro-advertising lobby could intensify the resolve of the censorship crusaders. Churchill's bill and the Peacock committee on advertising are not linked, but both initiatives stem from a strong if undefined Conservative belief in

Victorian values. High among them are self-reliance and decency. Some kind of unconscious logic may demand that if the BBC cannot be made self-supporting, it can at least be made more conventional, along with ITV. (The BBC and ITV tend to argue as one in the face of the common threats against their independence and financing.)

Many Conservatives have a strong feeling that they must "do something" about British television. Their desire, one suspects, grows out of the frustration of being able to do very little about deeper problems: the rise of violent crime, the alienation of the young, the bleak prospects of the uneducated, particularly blacks.

Victory, in the end, will inescapably go to market forces. In keeping with its deregulatory philosophy, the Thatcher government has opened the skies to foreign television. People in Britain may put up their own satellite dishes. Any reform that succeeds in making British television bland and boring will only encourage viewers to turn to the many new channels pouring in from the sky, untouchable by emardians of the British airwaves.

Brenda Maddox is a London-based author and journalist.

COST FLIGHTS

- MID WEST	
1 Way	Return
F1645	F3290
F1645	F3290
F1785	F3570
F3090	F4090
F3090	F4090
F3090	F4190
F1785	F3570
F1785	F3490
F1645	F3290

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